FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

More troops ordered to Ulster

Britain's spearhead Battalion of 500 troops, which is always at readiness for deployment at short notice, is to reinforce the Army in Northern Ireland during the Queen's Silver Jubilee visit next week.

The troops—at present the 1st Battalion, Scots Guards, is the Spearhead Battalion—have been requested by Lt.-Gen. Sir David House, the Army commander in Ulster.

150 Palestinians reinforce Libya

About 150 Palestinian guerilla commandos flew to Libya from Beirut yesterday to join Libyan troops and some 250 other Palestinians along the sensitive border with Egypt. Meanwhile the Soviet Union expressed concern that the Palestinians might be excluded from the peace-making process under the U.S.-Egyptian plan.

Faults found in Trident 3s

British Airways cancelled some flights on European routes and reorganised others after cracks had been found in the wings of some of its Trident 3s. Flights are expected to be normal to-day. The faults were discovered during routine maintenance checks. Page 7

Towards a more secure Europe

Thirty-three European countries, the U.S. and Canada, reached agreement on the ground rules for the autumn European Security Conference, the U.S. chief delegate, Mr. Albert Sherer, said in Belgrade. Back Page.

Windscale mishap

A worker at British Nuclear Fuels' Windscale chemical plant in West Cumbria was found to be wearing contaminated clothing during a week-end check, the company said.

Miners trapped

South Africa is to send four rescue teams to assist in a Mozambique coal pit disaster in which 150 miners were reported trapped.

New York blasts

A Puerto Rican extremist group threw New York into turmoil when two bombs left one man dead and injured eight other people. Nearly 100,000 people were evacuated from more than six Manhattan office blocks after explosions in the Mobil and Christian Science skyscrapers.

Packer case

Judgment in the High Court action brought by Mr. Kerry Packer, the Australian TV impresario, and some of the cricketers who have signed for this Test series is expected to-day.

Rats in orbit

Rats and flies were launched into earth orbit aboard a Soviet satellite to further a research programme drawn up with the U.S. and other countries into the effects of weightlessness in space.

Rolls-Royceski

A seven-seater luxury car, the Gorky Gaz 14, complete with air conditioning, stereo radio and tape player, is ready for production in the Soviet Union, Tass reported. The car has three rows of seats, an eight cylinder engine, automatic transmission and a top speed of 110 m.p.h.

Briefly . . .

Queen Elizabeth the Queen Mother is 77 to-day.

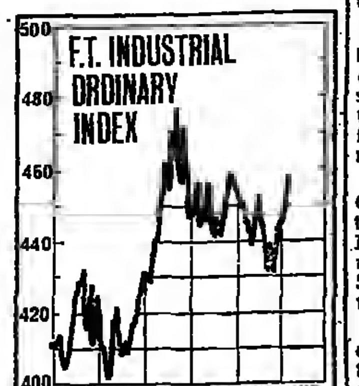
Mr. Bhutto, the former Pakistan Prime Minister, said last night that he would take part in the October 18 General Election.

Fifteen Saab cars, worth £5,200 each, were handed over to the Derby County first team squad as part of a sponsorship deal.

BUSINESS

Equities rise 6.3; gilt issue awaited

● EQUITIES gained further ground as stock market hopes of a cut in Minimum Lending



Rate strengthened. The FT 30-Share Index rose 6.3 to 458.2, still 19.2 off its 1977 peak in May.

● GILTS paused after their recent good gains. The FT Government Securities Index edged up 0.03 to 68.83. Strong demand is expected this morning for the new £800m. short-dated gilt issue, against a background of declining money market rates. Back Page

● STERLING gained 11 points against the dollar to close at $1.7388, but its trade-weighted index was unchanged at 61.7. Dollar's trade-weighted depreciation widened to 1.22 (1.20) per cent.

● GOLD rose 75c to $146.7? ahead of the IMF gold auction.

● WALL STREET fell 1.39 to 886.00.

● U.S. ECONOMIC policies are likely to generate continuing growth in the Western world over the next 12 months, according to the OECD. It believes the U.S. has to continue to run a trade deficit to fulfil its role. Back Page. Japan to boost economy. Back Page. Editorial Comment, Page 14

New Japan car for U.K. market

● SUBARU CARS from Japan are to be imported into the U.K. by Britcar Holdings. Although the company aims to bring in only 1,300 cars in the first year, the move may put further strain on the delicate peace arrived at by the U.K. and Japanese car industries. Page 6 and Men and Matters, Page 14. Leyland's Mini strategy, Page 19. BMW group sales up, Page 21

● GOVERNMENT is planning new measures, possibly including tax incentives, to encourage energy saving. Page 7

● SAUDI ARABIA has given orders worth £54m. to the Elliott group of Peterborough to build six hotels and 200 houses over two years. Back Page

● SEAMEN'S UNION has decided to bow to the TUC's insistence on maintaining 12 months between pay settlements. It wants a substantial pay rise in the New Year, but will not press for immediate improvements. Page 12

● STOCK EXCHANGE turnover improved only slightly last month—up £0.2bn. to £8.4bn. Page 24

COMPANIES

● ACROW lifted pre-tax profit to a record £10.73m. (£8.03m.) in the year to March 31. Page 17

● DIXONS PHOTOGRAPHIC pre-tax profit rose to a record £8.73m. (£5.22m.) in the year to April 30. Page 16 and Lex

● CONSOLIDATED Gold Fields is acquiring Hydro Conduit Corporation for $45m. (£25.9m.) in a further move into the U.S. building materials industry. Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Lamfords	43	+ 10
Barratt Devs.	86	+ 7
Cassell (G.)	98	+ 3
Beecham	502	+ 6
Bell (A.)	262	+ 14
Boots	197	+ 5
Bowater	191	+ 5
Clayton, Dewandre	112	+ 7½
Epicure	39	+ 4
Fairview Estates	38	+ 4
GUS A	254	+ 8
Heath (C. E.)	235	+ 13
Hillards	171	+ 6
ICI	398	+ 6
Jessups	31	+ 4
Kunick	12	+ 4
Lonrho	76	+ 4
Marks and Spencer	129	+ 4
Mills (A. J.)	73	+ 4
Mothercare	166	+ 8
Portals	210	+ 5
Pride and Clarke	190	+ 11
Racal Electronics	482	+ 21
Reyrolle Parsons	180	+ 6
Sainsbury (J.)	184	+ 5
Scapa	96	+ 9
Senior Eng.	27	+ 3½
Spirax-Sarco	274	+ 12
Storey Bros.	95	+ 7
Thorn Electrical A	320	+ 12
Unitech	77	+ 6
Vosper	143	+ 12
Viking Oil	266	+ 30
Kloof	383	+ 13
Libanon	360	+ 17
FALLS		
Butterfield Harvey	51	− 7
Nat. Bk. Australasia	245	− 10
Williamson Tea	165	− 10
Panconitinental	825	− 25
Utah Mining	370	− 20

Death of Makarios raises fears of new Cyprus tension

BY OUR OWN CORRESPONDENT, Nicosia, August 3

Fears are being expressed about a possible power struggle among Greek Cypriot factions and a rise in tension between Greeks and Turks following the death early to-day of President Makarios, the politician-priest who led Cyprus to independence from Britain in 1960

President Makarios, who would have been 64 in 10 days' time, died from a heart attack—his second in four months. Preparations are under way for a state funeral on Monday, and, for the moment, Cyprus is quiet.

The leaders of the four main Greek-Cypriot political parties—two on the Right and two on the Left—met twice during the day under the chairmanship of Mr. Spyros Kyprianou, President of the House of Representatives.

Under the terms of the 1960 constitution, Mr. Kyprianou has taken over as Acting President, pending the election of a successor to the Archbishop.

The four party leaders were working on a formula for co-operation in the nomination of a common candidate so as to avoid election strife. Moves continued tonight behind the scenes and a final decision is expected to be taken to-morrow, when the four men meet again.

A strong possibility exists that Mr. Kyprianou, 45, a former Foreign Minister of the Republic and leader of the right of centre Democratic Party, will be chosen as President Makarios' successor, although he too has been in poor health recently and has suffered at least one heart attack.

In a radio and television speech to-night, Mr Kyprianou declared: "In these critical moments we have a supreme duty and obligation to maintain at all costs—and even to strengthen—our unity, as our great leader always declared, so that we can face the innumerable difficulties ahead."

Under the constitution, elections should be held within 45 days, though arrangements can be made for them to be postponed.

There is no doubt in the minds of political observers here that the Greek Government will play a key role in future developments in the Greek-Cypriot camp.

Greece's Ambassador in Nicosia, Mr. Michael Oountas, has already flown to Athens for consultations with the Greek Prime Minister, Mr. Karamanlis.

The new Greek-Cypriot leader, must, however, not only secure Athens' approval but also the backing of the Cypriot Left, the strongest political grouping on the island.

The Left has already indicated it does not intend to put forward a candidate of its own for the post, but it definitely would prefer a man who, like President Makarios, would be ready to co-operate.

The Turkish-Cypriots, for their part, seem to have welcomed the fact that the Church will no longer be directly involved in Cypriot politics.

They have also said that they will not accept any successor to Archbishop Makarios as president of all the Cypriot people.

Our Foreign Staff adds: In Athens, Premier Karamanlis and opposition leaders praised President Makarios for his battles for an independent and sovereign State, while the Government pledged its continuing firm support for the Greek-Cypriots with a view to a just solution of the Cyprus problem.

The Greek Government's handling of the dispute is not likely to change, although the death of the Archbishop may open the way for a more realistic and pragmatic solution of the issue.

In Ankara, the Turkish Foreign Ministry was keeping a close watch on the situation, hoping that the succession issue would be solved without embroiling the Turkish and Greek-Cypriot communities in fresh conflict.

"We are not gloating, we are not mourning and we have nothing to say," one official said.

In London, a Downing Street spokesman said Mr. Callaghan had learned of the Archbishop's death with deep regret, "particularly in view of his long service as the leader of his people and as the senior Head of Government in the Commonwealth."

The vacuum left by Makarios Page 14

Deadlock in Lucas strike may hit car output

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

TALKS TO settle the five-week strike by toolroom workers at Lucas Industries, the motor components supplier, broke down yesterday. No further meetings are planned in a bitter dispute which will progressively bring Lucas electrical supplies to a halt and threaten widespread lay-offs in the whole motor industry.

Mr. Terry Duffy, Amalgamated Union of Engineering Workers national executive member for the Midlands, described the situation as "a tragedy." Four hours of talks in Birmingham between management, union officials and shop stewards had ended in total deadlock.

The dispute is about bonus payments. However, any concession to the 1,200 toolroom workers might lead to claims from other groups of employees.

Looming in the background are the annual wage negotiations for the 60,000 Lucas group workers.

The strike by the toolroom workers, who are responsible for the maintenance and repair of machinery, has so far hit output at 12 of the 14 Midlands factories, and caused the laying-off of 8,500 workers.

The total will climb by another 1,000 before the week-end, and it is only a question of time before all output is halted and the 20,000-strong labour force rendered idle.

Toolroom workers are demanding a £6 increase in their complex bonus payments. They claim that earning levels have been reduced and output raised, but their earnings have not reflected the improved productivity this implies.

Yesterday, management offered as a longer term measure, to try to agree with the unions on a revised productivity-based scheme. On the immediate problem, the company proposed the issue should go to arbitration with both sides bound by the outcome.

A prior condition for both moves would be an immediate return to work by the toolroom men. The 63 shop stewards rejected the formula unanimously.

The men insist that the company should put a cash offer on the table.

However, the toolroom men are continuing their round-the-clock picket of the Lucas headquarters in Birmingham and are not due to meet again until next Wednesday.

The impact of the Lucas strike may take time to work through as the motor industry only returned this week after the summer holiday. Lucas said last night that it was very difficult to assess stocks in the pipe-line.

In the other potential trouble spot for the motor industry, Leyland Cars senior stewards will hold a crucial meeting at Longbridge, Birmingham to deliver their verdict on the company's proposals for a major industrial relations reform demanded by the Government as a condition for further State finance.

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CBI pay plea to Callaghan

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

AN URGENT call to the Prime Minister to organise a series of Ministerial speeches urging shop stewards to moderate pay claims was delivered to Downing Street last night by Mr. John Methven, CBI director-general.

Reacting to mounting concern among employers about shop floor pressures for rapid and large pay deals since Phase Two of the pay policy expired at the end of last month, Mr. Methven telephoned the Prime Minister's Office last night.

He asked that Mr. Callaghan and his Ministerial colleagues should go out of their way during the coming weeks of the Parliamentary recess to spell out the inflationary dangers of high claims and of breaking the 12-month rule on the spacing of settlements.

The message was received at Downing Street at about the same time that Mr. Callaghan was meeting senior Ministers including Mr. Denis Healey, Chancellor of the Exchequer, Mr. Edmund Dell, Trade Secretary, and Mr. Anthony Wedgwood Benn, Secretary for Energy. Next week the Government intends to spell out the advantages for workers' pay packets of tax rebates contained in last month's mini-Budget.

To-day the CBI president's committee meets to review the CBI's stance on pay. It is likely to reflect Mr. Methven's view that, while the CBI has done its best with special guidance to companies on pay, there has been little if any back-up from the Government.

Mr. Methven's concern has been fuelled partly by publicity given to claims for rises of up to 30 per cent, sometimes breaking the 12-month rule, in companies such as ICI and Shell.

In addition, the pay data bank set up in the past fortnight at the CBI's London headquarters has had a series of phone calls in the past few days from employers worried about how to react to shop floor pay claims.

The feeling at the CBI's headquarters last night was that, while the Prime Minister has made it clear that the 12-month rule must be maintained and that total rises in earnings should not exceed 10 per cent, his Cabinet colleagues and junior Ministers have not gone out of their way to spell out the dangers of inflation.

Because of this, while national union leaders were doing their best in many cases to stick to the broad policy, shop stewards and union members had not been won over.

This meant that individual companies, trying to uphold the policy, were bearing the brunt of shop floor pressure.

Share Information Service

NET dividends shown against U.K. companies in the FT Share Information Service have been adjusted from to-day to take account of the recent reduction in advance corporation tax from 35-65ths to 34-66ths.

Gross dividends and yields are unaffected except in forecast dividends and dividends on Preference shares; the net amounts in these cases have been grossed up at the new rate.

Frigates deal with Argentina nearer

By Roy Rogers, Shipping Correspondent

BRITISH SHIPBUILDERS' Vosper Thornycroft yard at Southampton looks set to clinch a deal with Argentina for the sale of seven Amazon class frigates believed to be worth almost £300m.

Negotiations are well advanced, although there are fears that the proposed deal may get drawn into the political wrangle between Britain and Argentina over the Falkland Islands, the British dependency claimed by Argentina.

The deal, which would give more work to yards desperately short of orders, involves the provision of six of the commercially-designed and very successful Type 21 frigates in kit form to be assembled in Argentinian yards with Vosper's technical assistance. A seventh frigate would be built in Britain.

Anti-ship and anti-aircraft missiles are included in the armaments along with torpedoes and Lynx helicopters.

The Argentinian navy is working up its new British built Type 42 guided missile destroyer, Hercules, which left Portsmouth last week after completing its armaments tests. Built at Vickers, Barrow, this is a sister ship to the "Santisima Trinidad" being rebuilt in Argentina after being extensively damaged by sabotage there.

The Argentinian deal would be the second major Latin American order with which Vosper Thornycroft is associated. It is mid-way through a similar £150m.-plus package deal to supply six frigates to Brazil.

The first of these vessels has already sailed for Brazil and the second is undergoing trials. Two more are under construction and are due for delivery next year, while a further two are being constructed in Brazil's naval dockyard at Rio de Janeiro with materials, equipment and other services provided by Vosper Thornycroft.

Vosper's potential Argentinian deal—part of orders totalling £500m. now under negotiation—would take to £380m. the value of orders won by British Shipbuilders since the industry was nationalised on July 1.

Last month, Argentina and Britain ended a round of talks in Rome on the Falklands Islands dispute without any apparent progress being made on Argentina's claim of sovereignty. A further meeting has been arranged for November.

£ in New York

—	August 3	Previous
Spot	$1.7385-7404	$1.7371-7379
1 month	0.29-0.25 dis	0.23-0.19 dis
3 months	1.00-0.95 dis	0.85-0.80 dis
12 months	4.80-4.70 dis	4.70-4.60 dis

Slater group package put to Bank

BY KEITH LEWIS, CITY STAFF

A PROPOSAL by the Bank of England to take over Slater Walker Limited, the banking arm of Slater Walker Securities, will, if accepted, play a major part in preventing the troubled financial group from going into liquidation.

The sale of the banking arm is only one component in a complex financial package that has become necessary because of the growing likelihood that SWS would sooner or later exceed the borrowing limits set down in the trust deeds of its loan stocks.

In the event of that ceiling being breached, the group would face demands from loan stock holders and other creditors amounting to over £76m.—a sum that could not be met.

In order to prevent that happening, the Board of SWS, headed by Sir James Goldsmith, approached the Bank of England with a package designed to raise sufficient funds to redeem the loan stocks.

The fate of the group, therefore, rests with holders of the three key stocks—the 9 per cent. Unsecured Loan Stock, 1991-96; the 9¾ per cent. Partly Convertible Unsecured Loan Stock, 1984; and the 17½ per cent. Unsecured Loan Stock, 1995—who are being asked to accept redemption terms that are less than par.

For every £100 nominal, holders are being offered £75, £77 and £80 respectively. The alternative to the proposals, according to Sir James Goldsmith in an accompanying letter, is liquidation and a smaller total payout.

The Bank of England, which stepped in with support of £70m.

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in the form of a loan facility and a further £40m. guarantee against the loan book in 1975, following the departure of founder and former chairman Mr. Jim Slater, is also buying group property.

The Bank is to pay £3.5m. for SWL, and SWS has agreed to sell to SWL, for an aggregate sum of £6.5m., freehold properties in Fetter Lane, London, and at Wokingham, Berkshire.

SWL will afterwards assume responsibility for an existing mortgage of £7.5m. on the Fetter Lane property.

In addition, SWL will also buy from the group its Convertible Note in Cornwall Equities, a U.S.

Continued on Back Page

Goldsmith plan for full control of Cavenham

BY TERRY WILKINSON, CITY STAFF

SIR JAMES GOLDSMITH, through his French company Generale Occidentale, is proposing to take full control of the Cavenham foods group under the terms of a £33m. capital reconstruction of the company.

This latest move, which would achieve Sir James' ambition of bringing the British company under his personal and private control, has arisen because of what is felt to be the unsatisfactory state of affairs following Generale Occidentale's £40m. partial bid for Cavenham, which left the public with a 25 per cent. minority shareholding.

While the terms of the partial bid were 155p a share in cash, the present proposals ask shareholders to swap their existing Ordinary shares for Cavenham 10 per cent. first cumulative preference shares in the ratio of four preference shares for every three Ordinary ones held.

Taking the preference shares at 95p, each Ordinary share is valued under these terms at 127p compared with a price of 81p at which Cavenham shares were suspended yesterday morning ahead of the announcement.

Warrant holders are to be offered two Preference shares for every five warrants held, valuing them at 38p, compared with a price before suspension of 17p.

Sir James commented yesterday that the scheme's general effect would enable the remaining minority shareholders "to obtain a value for their shares approximately similar to that obtained by those shareholders who accepted our original offer."

Taking into account the one-for-three scrip issue of Preference shares which accompanied the partial bid in May, shareholders would be receiving in value 158.3p a share, compared with the then 155p a share in cash.

A second interim dividend of 3.1p an Ordinary share was declared yesterday, payable in October on Cavenham's last financial year. First dividend payments on the New Preference shares will be in March 1978.

Both the Cavenham Board and its advisers, Samuel Montagu, are recommending minority shareholders to vote in favour of the proposals.

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LOMBARD

Fiddling with the rules

BY IAN DAVIDSON

WHEN the European Community was young, and some if not all of its *founding member states* were *starry-eyed* about its destiny, there was a general tendency to believe that the Community's primary task was the promotion of policies which would further its internal economic integration: the farm policy, the customs union, competition policy, even, as the most extreme expression of this view, the abortive plans for economic and monetary union. By contrast, the political nature of the Community was an issue vibrant with profound disagreements between the Governments.

That antithesis, between the economic and the political, has now been reversed. The co-ordination of foreign policy is now the most, if not the only, successful area of Community activity, with as its latest manifestation an uncompromising European policy statement on the Middle East. By contrast, there is probably not one single Government that believes it is possible for the Community to make any dramatic new steps towards internal economic integration.

Nibbling

The Nine are still nibbling away at the obstacles to free trade inside the Community. But none of them is really prepared for the commitment to a really massive transfer of economic decision-making to the Community which would be implicit in any programme, however long-drawn out, of economic and monetary union. And without that commitment in principle, it is a little difficult to see how the Community as such can deal with immediate and serious problems like unemployment or the adaptation of uncompetitive industries in the face of foreign pressure.

So instead the favourite game of some European politicians has become that of drawing up membership lists for different versions of the European Community; just as schoolboys dream up an ideal England XI drawn from the greatest cricketers in history. Traditionally, the *sine qua non* for Community membership has been the exercise of democracy: Dr. David Owen, the British Foreign Secretary, has now gone one better than that, and advanced the thesis that there should be some way of throwing out a member state which ceases to be a democracy. No doubt Dr. Owen was thinking ahead to the contingency where Italy or France might "Go Communist."

The mind boggles. I can scarcely suppose Dr. Owen to mean that a Communist-ruled Italy would be thrown lock, stock and barrel out of the Community, since this would have a seriously disruptive effect on the economies and trading patterns of the other member states; and, after all, the Community has preferential trade arrangements with quite a large number of countries with few pretensions to democracy. I can only speculate that, under the Owen scheme, Italy would cease to be a *political* member of the Community, losing its seat in the Council of Ministers.

Given the Labour Government's idealistic determination to ensure that direct elections to the European Parliament shall take place according to schedule next May or June, it is easy to see why Dr. Owen should be so concerned about the operation of democracy in the member states. It is less easy to see why his expulsion plan should be expected to have constructive results, either for the Community or for the political situation in Italy.

Herr Helmut Schmidt, the West German Chancellor, has drawn up a different European XI, designed to play a different kind of game. In his view, Greece, Spain and Portugal should be allowed to join the Community, with (presumably) full voting rights in the Council of Ministers. But they would not be granted all the economic rights of membership of what is, after all, an economic Community, because of the problems they would create for the rest of us.

Immigrants

Herr Schmidt specifically ruled out freedom of movement for the new members, for fear of a flood of immigrant workers; but one can see that France and Italy would rule out the application of the common agricultural policy to their Mediterranean competitors, and if the idea really caught on, Spain might find itself as a full political member of the Community, but without any economic rights.

These variations on the theme of a two-tier Community, first propounded by General de Gaulle, are amusing diversions from the doctrine categorically propounded to Britain in 1971-2: all or nothing. But it is a pity that anyone should pretend to be offering a serious solution to the Community's problems by fiddling with the membership rules.

THE WEEK IN THE COURTS

Lords put Stonehouse into criminal law textbooks

BY JUSTINIAN

ALTHOUGH FOR 2½ years since his reappearance in Australia the Press has reported avidly the *battles of Mr. John Stonehouse* through the criminal Courts, there was little more than a ripple of comment or even mention last week of his *failure at the final hurdle* to reverse at least some of the convictions entered against him at the Central Criminal Court last August.

Yet the decision of the House of Lords on Thursday has an importance far beyond that excited by the sight of a prominent political figure biting the dust. The law relating to crimes with an international flavour has as a result become more rational and easy to apply.

During the summer of 1974 John Stonehouse found himself in a parlous financial state. He set about a plan to give himself a new identity (by obtaining passports in the name of a dead man) and to fake his death preparatory to starting up life afresh in Australia.

Policy

Since he was proposing to leave his wife behind, he arranged with each of five major insurance companies that they would issue to Mrs. Stonehouse a policy of insurance on his life. Each policy stipulated that if he were to die within five years after the date of the policy his wife would receive the amount for which the policy covered his life. On his death his widow would receive in all £125,000.

When he applied to the insurance companies John Stonehouse falsely represented to them that the applications for life insurance were genuine. If they had known what the plan was they would never have issued the policies.

On November 19, 1974, John Stonehouse flew to America and on the following day at Miami Beach, Florida, he told his travelling companion and others that he was going for a swim. Later that day he failed to keep an appointment. A search was made for him. His belongings were still in his hotel room; in a beach hut he had used there were found some beach clothes; and the presumption was not unnaturally made that he had gone out to sea and been drowned in deep water during a heart attack or severe cramp.

The whole mise-en-scene was to present to all outward appearances that he had died by drowning. Mr. Stonehouse knew that the eyes and the ears of the world were upon him, and that as soon as the word got to the journalists the news would be blazoned all over the world, especially in England.

Mrs. Stonehouse's solicitors did write to the insurance companies, and noted their interest in the possible claims under the policies. But no claim was ever made. Five weeks after the charade at Miami Beach Mr. Stonehouse turned up in Australia and his plans to adopt a new identity became abortive.

Thereafter he was extradited to this country, put on trial lasting 70 days and convicted of a number of charges of fraud, ending up in a sentence of seven years' imprisonment.

The insurance frauds were dealt with in five separate counts in the indictment, all of which charged him with attempting by his faked death to enable Mrs. Stonehouse to obtain by his deception the value of the insurance policies. The point of law argued was that, since the final act alleged to constitute the criminal offence of attempt had occured outside the jurisdiction of the English courts, he could not be tried in England.

Until now there has been a dearth of direct authority for *determining the precise limits* of the English courts to try persons for acts done abroad. The general rule is that crime is regarded as territorial, that is to say punishable only for things done within this country. Mr. Stonehouse's last act was done on Miami Beach, even though the effect of what he did was intended to occur in England. Did that matter?

Widow

If Mr. Stonehouse had not been discovered so early, or indeed at all, it is quite likely that the insurance companies would have paid over the insurance monies to his widow. They would have done so in direct consequence of Mr. Stonehouse's false representation that he had died.

If those monies had been paid, there is little doubt that Mr. Stonehouse would have been guilty of the full offence of obtaining for another person property by deception. And if he had turned up after the insurance monies had been paid he could clearly have been tried for those offences. As the law stood it would have been no answer for him to have said that the false representations were made outside the jurisdiction of the English courts.

The false representations were made in Miami with the object of leading the insurance companies to believe that he had died, and of enabling his wife to obtain the sums for which his life was insured.

If the false representations had been made by him by post while in Miami, there are cases which say that the offence is committed where the letter is received. Did it make any difference that the communication to the insurance companies and to Mrs. Stonehouse was not done by Mr. Stonehouse but through the innocent agent of a journalist?

New rule

The House of Lords avoided deciding the case on fine distinctions between the different methods of communicating false representations. Instead they have established a new and sensible rule for the courts to decide whether a crime with an *international element* is triable here.

The principle now is that an offence is committed and triable here if the effects of an act abroad intentionally operate or exist within this country.

What if there is no effect in this country of an act done abroad, even though there was intention that there should be? Is the crime abroad not then triable here? On this question the Law Lords disagreed, but this disagreement was not relevant to Mr. Stonehouse's case.

The basis of jurisdiction is not that the accused has done some physical act in England, but that his physical act done abroad (or indeed wherever it is done) causes the obtaining of the property in England from the person to whom it belonged. Whether he has caused it to be obtained himself or through the instrumentality of an innocent agent cannot matter.

In Mr. Stonehouse's case his action on the beach at Miami did cause something to happen in England which was an inevitable and intended consequence of that act: he communicated through the media to his wife and to the insurance companies the false representation that he had been accidentally drowned. Thus the name of Stonehouse will not only go into political history but also into the criminal law textbooks as a leading case on international crime.

SPORT

A Wimbledon that really rose to the occasions

TENNIS
BY JOHN BARRETT

AS THE CURTAIN came down last Saturday on centenary Wimbledon — easily the most successful championship meeting I can remember since the war—I could not help wondering what Spencer Gore, the first champion in 1877, would have said about it.

Some 15 years after winning that first tournament he had written "that anyone who has really played well at cricket (real), tennis or even rackets will ever seriously give his attention to lawn tennis beyond showing himself to be a promising player is extremely doubtful; for in all probability the monotony of the game as compared with others would choke him off before he had time to excel at it."

How times have changed! Monotony would be the last word I would use to describe the thrilling daily happenings that reached a crescendo of excitement with the victory of Virginia Wade in front of the Queen on Friday, followed by the cliff-hanging final between Jimmy Connors and Bjorn Borg.

Surely the only player who was choked off was the enigmatic Romanian Ilie Nastase, and few tears were shed on his departure.

Yes, a sense of climax was undoubtedly one of the secrets of this year's success. So often we thrill to mid-week excitement as the seeds fall and are left with *a flat final*. This time we had it all. First Harold Solomon, the bottom of the 16 men's seeds was beaten, then in quick succession Guillermo Vilas (3), Bob Lutz (15), Brian Gottfried (6) and Raul Ramirez (8) were all eliminated—the last two in doubles, from their lofty perch as top seeds.

In the second week we had the absurd Nastase gesticulating and arguing his way to spectacular defeat against Borg, plus the emergence of 18-year-old John McEnroe of Douglaston, NY, who first eliminated the No. 13 seed Phil Dent and then went on to trouble *Connors in a* curious but fascinating semi-final.

No one, I am sure, expected to see the other semi-final between Borg and another New Yorker, 22 year old Vitas *Gerulaitis of Howard* Beach, produce the match of the championships, or even perhaps the match of the century. But for almost the whole of this three hour five minute epic the standard was Olympian. It seemed impossible that human eye and thought could react so fast and for so long. Their skill was supreme. It left me glowing with pride for the whole of young manhood.

Breathtaking

After that we had no right to expect anything but anti-climax. But in its own dramatic way Saturday's final was equally breathtaking. The tennis was less sharp, perhaps, on the first day of real Wimbledon weather. But again we saw the depths of human courage as first Connors, then Borg, then Connors again and finally the 21-year-old blond Viking forced his personality on affairs.

The score was 3—6, 6—2, 6—1, 5—7, 6—4 to Borg, but few will realise how deeply this young man had to dig into his reserves of nervous energy. He probably does not even know himself yet. But as he stood ashen-faced and drawn in the 95-degree heat, having seen his hard-earned 4—0 lead in the final set evaporate against an equally admirable Connors surge, he looked desperately tired and 20 years older.

Yet the unquenchable compe[titor] in him found someth[ing] more, and he lost only one po[int] as he broke Connors to 15 [and] *held* his serve to love to [win] this 3¼ hour classic. Now, hav[ing] equalled the record feat of [Lew] Hoad, Rod Laver (who did [it] twice), Roy Emerson and J[ohn] Newcombe in successf[ully] defending their title the fol[low]ing year, he said that F[red] Perry's triple of 1934, '35 and ['36] is his next target.

For all the marvellous [...] expertise I suspect that the h[igh]light for most was to [see] Virginia Wade on Friday rec[eiv]ing the champion's prize at l[ast] from the hands of the Qu[een]. It all fitted perfectly—Virgi[nia's] 16-year wait, Jubilee year, [cen]tenary Wimbledon. And [what] a heart-warming, spontane[ous] show the loyal Wimbledon cr[owd] produced! Singing on the Ce[ntre] Court? Really—whatever [hap]pened to that famous Bri[tish] reserve?

There were other memor[able] highlights too. The nost[algic] parade of 41 of the 42 champ[ions] present in London (you all k[now] who was missing); no rec[ord] breaking 20th title for B[illie] Jean King, whose howl of [dis]appointment when she and [...] lost their mixed semi-[final] against the eventual winners [Frew] Hewitt and Greer Stevens [must] have been heard in [Los] Angeles; the graciousness [in] defeat of Betty Stove who [com]peted in three finals and [won] none; the tantalising glimps[e of] Tracy Austin, who will su[rely] win here one day; the r[ecord] crowds who were g[iven] at last sensible match sch[edul]ing; finally the discovery of [the] Wimbledon museum by so m[any] tennis devotees. This ele[gant,] tasteful display is open to [the] public every day of the [week] except Monday. If you have [not] already been, go along—you [will] not be disappointed.

Blues with high prospect[s]

CRICKET
BY TREVOR BAILEY

LAST WEEK I saw two well-above-average university sides achieve an honourable, predictable draw at a nearly empty Lords.

With Tony Pawson, a former opponent, sitting next to me in the almost deserted Press box, my mind inevitably went back to the first occasion I played for Cambridge against Oxford.

It was, at the time, easily the most important cricket match of my life. You do not spend over two months preparing for a single game without taking it very seriously.

Have things changed? Much was exactly the same: the obvious tension of the players, the interested, anxious and justifiably proud parents, the first-class athletic fielding, and the club standard wicket-keeping, the clutch of attractive girl friends.

The standard of the cricket was not dissimilar, either, though we had the advantage of being, in the main, older and therefore more experienced. We were also less pressed by scholastic requirements, while Martin Donnelly was clearly a much finer batsman than any in the present two teams.

However, there are a number in both who look to have the ability to score runs consistently in first-class cricket, and some may develop into internationals.

If they decide to play regularly, I fancy that the two captains, Hignell and Marks, will do very well, in addition to considerable ability they have that extra vital ingredient of being natural competitors and so would be likely to thrive in the Test match atmosphere.

Tavare, whose appearances this summer have been severely restricted by examinations, now has the time as well as the style so it was easy to understand why Kent are so enthusiastic about him. Claughton, Greig, Parker, Pathmanathan and Fosh are all outstanding prospects.

Rather strangely, the seam bowling, apart from the spell by Gurr in the second innings, was below the normal standard of a university match, but the spin bowling was better. Allbrook (though I do wish he would come down harder on his left leg) bowled his off-break splendidly on a good wicket and is very reminiscent of David Atfield in method.

Savage is an intriguing off-spinner of about medium [pace], different and exciting, [and] should be devastating on a [help]ful pitch.

There has been one big d[iffer]ence between the unive[rsity] match of 1977 and that of my [day]. It is, also, no longer the i[mportant] cricketing occasion, other [than] for the players, that it use[d to] be. The danger of comp[aring] past with present is that [dist]ance lends enchantment t[o the] view.

An old Wisden I con[sulted] recorded: "On Saturday [...] 15,000 people were present [...] on Monday, in the cool [...] 6,993 paid at the turnstiles [...]" [This] year the receipts cannot [have] paid even the basic expe[nses] while the pavilion was [...] bare. It was just as well [that] the game was sponsored [by] Royal Insurance. Yet the universities still have muc[h to] offer cricket.

● As expected, the En[gland] selectors have named [the] same 12-man squad, which [had] rather the better of the [drawn] first Test, for the second, [start]ing at Old Trafford on Thur[sday]. That is logical, as those [...] chosen but improved per[form]ances from Amiss, Barlow [and] Lever will be necessary if [they] are to retain their places.

Shock for British national eigh[t]

HENLEY
BY MICHAEL DONNE

THE FINAL of the Grand Challenge Cup at Henley Royal Regatta yesterday provided a dramatic upset with the University of Washington beating the much-publicised British national crew of experienced oarsmen from London RC, Leander, and Thames Tradesmen's RC.

The national crew had been strongly fancied to add to its string of victories at home and overseas. In the event, they were outclassed by a crew with a much better command of rowing tactics.

The race had been delayed for three hours because the British suffered damage to its boat earlier in the afternoon. This was repaired, and the crew appeared comfortable and happy as they went to the start.

The Americans snatched an early lead and widened it to half a length by the half-mile signal. The national eight hung on grimly for a while, but spurts and increases in striking rate could not crack the visitors, who stormed on, widening the gap and passing the post a length ahead in 6 min. 27 sec.—well outside the record for the event but still one of the fastest times of finals day.

To rub in the humiliation, Washington University also won the Visitors' Cup for four-oared boats, easily beating an erratic crew from Lady Margaret BC.

Thus, while the original massive American challenge of 26 crews achieved just two victories, they were more than enough compensation for all the other defeats.

The Irish and the Canadians did particularly well. A powerful eight from Trinity College, Dublin, proved much too strong for Pembroke College, Cambridge, in the Ladies' Plate, winning by three and a-half lengths in 6 minutes 53 seconds, one of the fastest times of the day. This was one of the most popular victories of the regatta.

Trinity Dublin have tried many times over the past 100 years to win the Ladies' Plate, which is the second most important event in the regatta. They did it to scenes of enthusiasm rarely seen at Henley.

The Irish had another popular victory when Garda Siochana police crew—having been narrowly beaten in their semi[-final] of the Grand on Saturday—[won] the Prince Philip Cup for [...] coxed boats, easily overpow[ering] their Thames Tradesmen ri[vals].

In the Princess Elizabeth [Cup] for school eights a very g[ood] crew from Ridley Co[llege], Canada, beat Hampton Scho[ol by] a length after a very c[losely] fought race in which Har[...] never let go.

Harvard University lost [the] Double Sculls to British Ol[ympic] oarsmen Hart and Baillieu[...] Leander crew led from the [start] and steadily widened the g[ap to] win by the official verdi[ct of] "easily."

Tim Crooks, the Le[ander] sculler won the Diamond [Sculls] beating J. W. Dietz, of New [York] AC, by three and two [...] lengths.

In finals between British [crews] the Britannia Cup for [coxed] fours was won by Tid[eway] Scullers, who beat a g[ood] Henley RC crew by two [and] a-half lengths.

The Silver Goblets for [pairs] was won by Clark and Robe[rts] Thames Tradesmen, who def[eated] the much-fancied McLeod [and] Christie, of St. Thomas's Hos[pital] and London RC, by three len[gths].

Blinkers may make Rial a winn[er]

RACING
BY DOMINIC WIGAN

TO-DAY'S four meetings at Pontefract, Edinburgh, Windsor and Wolverhampton offer little after Saturday's high class racing at Sandown and Haydock. But for those prepared to take a fanciful interest I believe it could pay to couple the Michael Stoute pair, Rial and Cruising, who may be able to pull off a good priced double.

The first from this pair to run is the disappointing Rial, who has been sent on the long haul to Edinburgh, where he contests the Pentland Stakes.

A strong Goldhill gelding who showed a fair bit of promise in two of his three races last season, Rial has failed to justify heavy support on several occasions this term.

Last time out the Newmarket three-year-old appeared likely to take a hand in the finish to a maiden event at Brighton, when moving into a challenging position a quarter of a mile from home. But he then found little and could only keep on at one pace to finish fourth behind Park Walk.

I believe blinkers, which Rial wears for the first time in public to-day, may see him fulfilling his early promise.

Cruising, among the nine runners for Windsor's Alma Handicap, has been lightly raced compared to his stable companion. A promising fourth in a competitive juvenile event at Yarmouth on his second and last two-year-old appearance, this grey Habitat colt re-appeare[d in] a modest six-furlong m[aiden] race at Nottingham in a[...]. Although favourite there, [Cruis]ing appeared in need of [the] race. It came as no sur[prise] when he faded at the dist[ance] to finish fourth behind Dus[...].

This handsome colt, w[hose] dam, Running River, sh[owed] notable promise in two [races] before chipping a bone in [her] knee, appeals as a sound bet [if he] is in fine heart and ready t[o do] himself justice.

EDINBURGH
3.00—Tree Breeze
5.00—Rial*

WINDSOR
6.45—Alcinea
7.15—Clairondita**
8.05—St. Jills
8.35—Cruising***

TV Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University (UHF only). 1.15 p.m. News. 1.30 Fingerbobs. 1.45 Regional News (except London). 4.20 Play School (as BBC-2 11.0 a.m.). 4.45 Salty. 5.10 Go with Noakes. 5.35 Ludwig. 5.40 News. 5.55 Nationwide (London and South-East only). 6.20 Nationwide. 6.40 Sportstown. 7.20 The Mackinnons. 8.10 Panorama. 9.00 News. 9.25 The Monday Film: "The Lawyer," starring Barry Newman. 11.20 To-night. 12.00 Regional News.

All Regions as BBC-1 except at the following times:—

Wales—1.30-1.45 p.m. Pili Pala. 5.55-6.20 Wales To-day. 6.40 Heddiw. 7.10-7.20 The Tom and Jerry Show. 12.00 News and Weather for Wales.

Scotland—5.55-6.20 p.m. The Wombles. 10.00 Jackanory. 10.15 Boss Cat. 10.40-11.00 Country Search. 5.55-6.20 p.m. Reporting Scotland. 11.20 News and Weather for Scotland.

Northern Ireland—4.18-4.20 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 12.00 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University. 11.00 Play School. 4.55 Open University. 7.00 News Headlines. 7.05 A Small City Garden. 7.30 News on 2. 7.45 Grapevine. 8.15 The Two Ronnies. 9.00 The Long Sprint. 9.50 Poland Dances: Mazowsze Dancers. 10.35 The Camera and the Song: The songs of Tom Paxton. 11.00 Late News on 2. 11.10-11.35 Closedown. Julian Glover reads "The Tuft of Flowers" by Robert Frost.

LONDON

9.30 a.m. Summer School. 10.15 Certain Women. 11.05 Inner Space. †11.30 Time to Remember. 11.55 The Woozles. 12.00 Mice and Mendelson. 12.10 p.m. Rainbow. 12.30 Out of Town. 1.00 News. 1.20 To-day's Post. 1.30 Untamed World. 2.00 Good Afternoon. 2.25 Monday Matinee: "The Hands of Cormac Joyce." 3.50 Emmerdale Farm. 4.20 Clapperboard. 4.45 Adventures in Rainbow Country. 5.15 Batman. 5.45 News. 6.00 To-day. 6.45 Whodunnit. 7.30 Coronation Street. 8.00 What's On Next? 8.30 World in Action. 9.00 The XYY Man. 10.00 News. 10.30 For adults only: "Play Misty For Me," starring Clint Eastwood. 12.35 a.m. Close: Tao Te Ching read by Madhav Sharma.

All IBA Regions as London except at the following times:—

ANGLIA
10.15 a.m. The White Line. 10.40 Spiderman. 11.05 Woobinda—Animal Doctor. 11.35 Wok's Way. 12.30 p.m. Farmhouse Kitchen. [illegible]

ATV
[illegible]

BORDER
[illegible]

CHANNEL
[illegible]

GRAMPIAN
[illegible]

GRANADA
[illegible]

HTV
[illegible]

SCOTTISH
[illegible]

SOUTHERN
[illegible]

TYNE TEES
[illegible]

ULSTER
[illegible]

WESTWARD
[illegible]

YORKSHIRE
[illegible]

RADIO 1 247m
(S) Stereophonic broadcast
[illegible]

RADIO 2 1,500m and VHF
[illegible]

RADIO 3 464m, Stereo & VHF
[illegible]

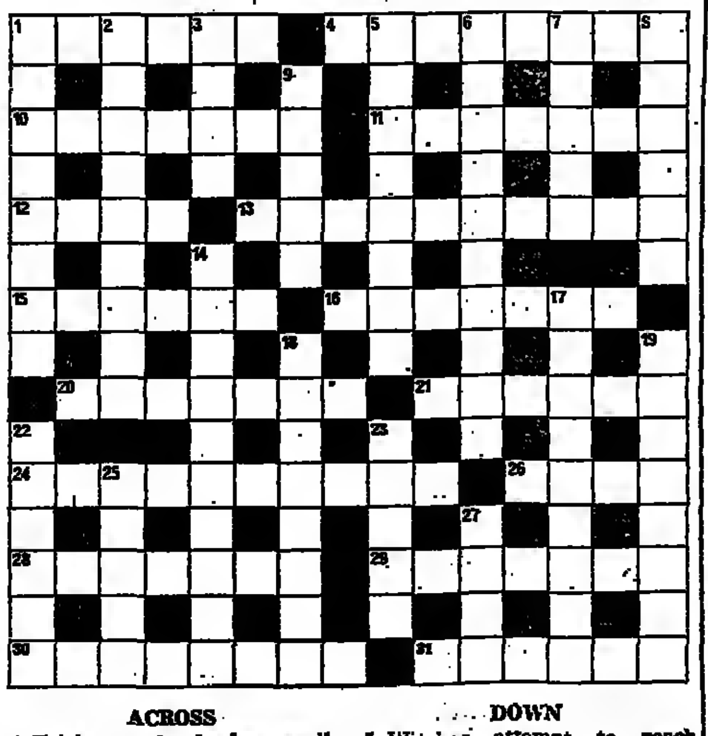
RADIO 4 434m, 330m, 285m and VHF
[illegible]

BBC Radio London 206m and 94.9 VHF
[illegible]

London Broadcasting 261m and 97.3 VHF
[illegible]

Capital Radio 194m and 95.8 VHF
[illegible]

F.T. CROSSWORD PUZZLE No. 3,421



ACROSS
1 Trick youth leader easily remembered (6)
4 Courageous when full of gin (8)
10 Leave Virginia with deer (7)
11 Tenure of office in pub et home with Gilbert and Sullivan (7)
12 Understands sound of those against (4)
13 Unite to enlist (4, 6)
15 Hardly ever see artist right by cathedral (6)
16 Encourage *fashionable* part of church (7)
20 Complaint over leaves in invalid fare (4, 3)
21 Stuff old boy returned to word game (8)
24 Carried by traveller not wanting to be left flat (5, 5)
26 Second-hand part of house down the road (4)
28 Self-interest that got me is different (7)
29 Officer left even by girl (7)
30 Spoil one Olympic success with bloomer (8)
31 Cup given to magistrate by the Queen (6)

DOWN
1 Witches attempt to reach outcast city (8)
2 Hirer of grey mare to fair traveller (3, 6)
3 Blow in ring taken by run away (4)
5 No taping could be so acutely painful (8)
6 Seek shelter in storm during wine race (3, 3, 4)
7 Drink is the keynote (5)
8 Stop in a different side street (6)
9 Saw part of joint (5)
14 Aversion to what sends person to doctor (3, 7)
17 Beef about peculiar afterthought over wood (4, 5)
18 Mr. French leaves the HAC emblem in confusion. What a sauce! (8)
19 He *overlooks* swindle carried out by king (8)
22 Joins Oriental upset by respect (6)
23 Bird goes to church as a result (5)
25 Love affair develops during morning round ancient city (5)
27 Way out for hot air—or cold they say (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا من الأصل

The Keating business

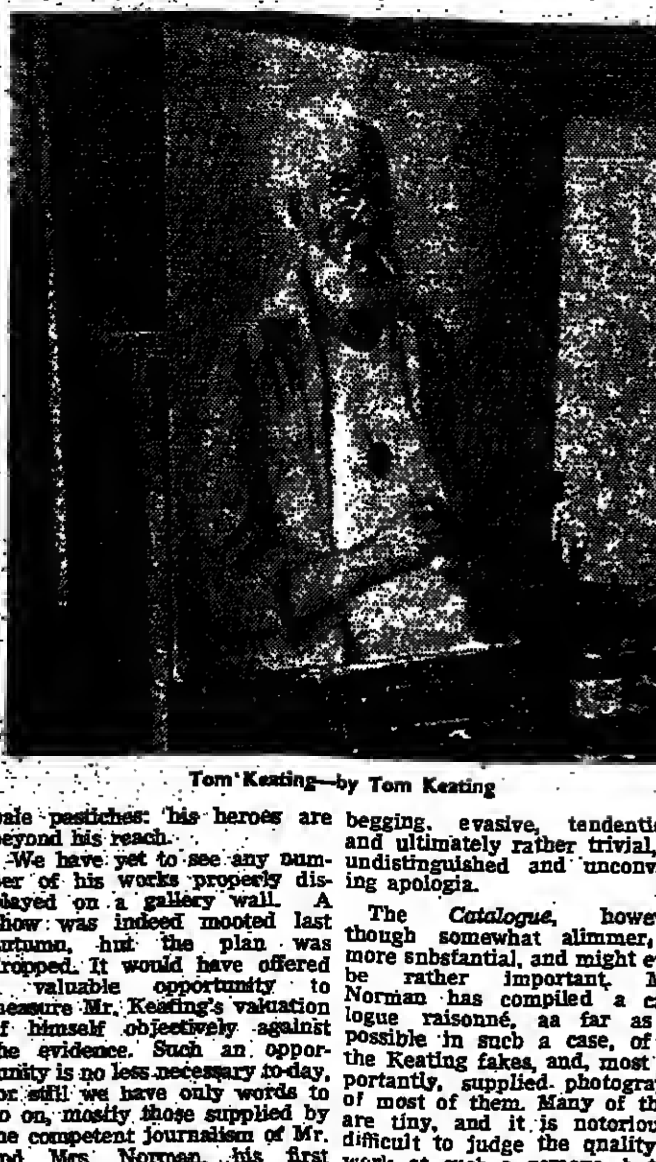
by WILLIAM PACKER

Last summer, within the space of a week or so, Tom Keating shot from the decent and protective obscurity in which he had laboured so long, into the full public view. It may not have happened in quite the way he would have wished, for it was a pretty comical affair, and there was very little credit to be shared out between the principals; but it was Fame, after all, which must have brought him some consolation. He was able at last to unburden himself of his story, and of the accumulated resentments laid down over many years of failure and humiliation, which are always hard for the egotistical temperament to bear.

He was obviously dying to come clean and tell all, as the clues deliberately left around in the work, clearly visible to the first sleuth who cared to look carefully enough, must indicate: for his fakes do not appear to be very good. They kept their secrets surprisingly well, however, for Sexton Blake was working for the other side. Mr. Keating caught the public imagination for perpetrating an elaborate and successful hoax on the Art World, of all things, whose public image is not altogether enviable: sleek, glossy, a shade spivy, perhaps, and not always entirely on the level, so prejudice has it. To see it manifestly caught out gave much joy. And the awful irony is that our hero is for a spell our best-known painter, yet celebrated not at all for his own work, but as a lovable, eccentric, mischievous buffoon. It is a sad story.

For Mrs. Keating, it seems, feels most bitterly that he has lived and worked beneath his proper station, and has been cheated out of the recognition his genius is due by a low conspiracy of circumstance, envy, duplicity and bad luck. He may well be an excellent restorer, which is an exacting and necessary craft, requiring infinite subtlety, patience and sympathy in its practice: but the tragedy is that for him such humble distinction is not enough. He wants to be, and to be known to be, as he undoubtedly feels himself to be, one of the elect, a great creative artist.

Well, there are very many who aspire so high, working hard and doing the best they can without finding it necessary to avenge their lack of success by trying to make fools of the rest of us. And with the great masters, with whom Keating so readily identifies himself, with Rembrandt, Palmer, van Gogh, it is their own work that is their vindication and their triumph in the face of their unhappy circumstances. Mr. Keating, I am afraid, prefers to indulge his self-pity, and, in doing so, he dishonours himself and his ambition by his pale pastiches: his heroes are beyond his reach.



Tom Keating—by Tom Keating

We have yet to see any number of his works properly displayed on a gallery wall. A show was indeed mooted last autumn, but the plan was dropped. It would have offered a valuable opportunity to measure Mr. Keating's valuation of himself objectively against the evidence. Such an opportunity is no less necessary to-day, for still we have only words to go on, mostly those supplied by the competent journalism of Mr. and Mrs. Norman, his first mediators and advocates.

To-day they keep our interest in their subject alive with the publication of two related volumes: *The Fake's Progress* and *The Tom Keating Catalogue* (both from Hutchinson, at £5.50 and £9.50 respectively). The first book falls into two main parts, the larger being Keating's memoirs, as told to Frank Norman, the second a sharp and informative look by Geraldine Norman on faking in general, and the particular history of the Keating affair.

She is a journalist whose chosen field is the art trade, and what she tells of its more arcane practices will raise many eyebrows and no doubt cause some pain in certain quarters. But the tone of the book is set by the autobiography, which undoubtedly is as entertaining as such ghosted stories often are, but is also by turns questioning, evasive, tendentious, and ultimately rather trivial, an undistinguished and unconvincing apologia.

The Entertainment Guide is on Page 8

The *Catalogue*, however, though somewhat slimmer, is more substantial, and might even be rather important. Mrs. Norman has compiled a catalogue raisonné, as far as is possible in such a case, of all the Keating fakes, and, most importantly, supplied photographs of most of them. Many of them are tiny, and it is notoriously difficult to judge the quality of work at such a remove, but at least we can see how embarrassingly had so many of these imitations really are.

An exhibition of these things would indeed be a revelation. We can leave aside for a while the nice issues of where faking slides into forgery, and of the Fieldsian ethics of deception, in which the work is passed off and sold as something else, or simply given away, and the ruse justified by the hidden acknowledgement. Instead, in the face of the things themselves, we suddenly realise that they are not very important because they are not very good. The only reputation in danger is Keating's own.

His very own work remains obscure, and, to be fair to him, must be seen before any final judgement is made. For him to have the London show now that he missed all those years ago might put things straight in his own, quite as much as in the public, mind; and we could see what kind of a painter he really is. It might even make a true artist of him.

Elizabeth Hall

Daniel Adni

by MAX LOPPERT

There were many inducements to remain out of doors yesterday afternoon, which probably accounted for the thinness of the audience for Daniel Adni's piano recital. But there were many rewards for forsaking the sunshine, not the least of which was the cool, unruffled beauty and evenness of his playing throughout the programme.

The second half was devoted to Schubert B flat sonata, D.960. It is rare to hear the work sustained in its entirety with such controlled gentleness. Mr. Adni's "voice" was kept level for long periods and long paragraphs at a time, but not tonelessly or vapidly so—the natural luminous grace of the soft playing carried the direction of the music with unusual economy and resource. Only in the later movements did there stir a slight hankering after a wider compass of dramatic energy, a bolder and broader spectrum of dynamics than Mr. Adni was allowing himself. Eschewing false rhetoric is always a virtue in Schubert, especially in the late sonatas; but the Scherzo in particular can take a good deal more melodic savouring without becoming over-inflated. The generosity over repeats—notably that of the first movement—deserves a special word of gratitude.

There were signs earlier in the recital that the natural moderation and decorum characteristic of the pianist are now being complemented by a greater desire to "play out." Two Chopin scherzos before the interval were shaped with new feeling for the gathering warmth, the dramatic impetuosity of their invention, in addition to the quietly lucid sense of their lyricism that Mr. Adni has always been able to command. It was still not bravura Chopin, heady with excitement; but it fixed its own dimensions, and remained faithful to them, in the manner of a true artist. The opening Debussy *Images* (the first book) were probably the most completely satisfying performances of the recital—Debussy clear, unemphatic yet acutely sensitive to shades and varieties of soft tone is Debussy well served.

St. Albans Abbey

BBC Singers

by ARTHUR JACOBS

Does the sober, surpliced figure of the cathedral organist conceal a bacchanalian sprite? Do similar hidden passions animate the organist's audiences? At St. Albans such suspicions are in the air. The ninth International Organ Festival, which began on Friday, spreads from the cathedral to pubs and clubs, parties and "happenings," and ends next Saturday with the Goat Ceilidh Band (cloven hoof of the pagan god?) and "lashings of wine and song." Even the cinema organ, formerly anathema to the church musician, is admitted to the programme.

All of which points to the identity of the organiser—Peter Hurford, cathedral organist at St. Albans for 19 years, who founded the Festival in 1963 and later established its present biennial basis. In 1966 he unleashed further provocation at the Albert Hall in London under the title "The Organ in Sanity and Madness." Between Bach and beer, the event at St. Albans also incorporates one of Europe's most rewarding competitions for younger players of the organ. Marcus Huxley (Britain) and Peggy Haas (U.S.) were declared equal second prize winners, this year, the judges having withheld a first prize.

It is surprising that an organisation so obviously alert to matters of presentation should slip so badly at Saturday evening's choral and organ concert in the abbey. A new work by Anthony Payne and three motets by Gesualdo (as well Kodaly's Missa Brevis) were all in Latin and two works by Poulenc were in French—yet neither texts nor translations were available to the audience. This is not just unhelpful, in a neutral sort of way; it is deliberately to keep the audience in the dark, and to confirm any casual dropper-in in the conviction that classical concertgoers are prone to engage in self-deceiving exercises.

As with all major festivals, the BBC must be present as financial fairy godmother. This concert (which was recorded for transmission on Radio 3 tomorrow) was given by the BBC Singers conducted by John Poole. Once more, this small professional ensemble demonstrated Mr. Poole's distinction as trainer and interpreter. Best of all, and helped by the acoustic qualities of the abbey, was the combination of a big sound with a decided cutting edge in the tone. Soloists drawn from the choir were excellent, and the two Poulenc selections (*the Litanies of the Black Virgin* and the *Little Prayers of St. Francis of Assisi*) admirably showed up the women's and men's sections in turn.

The Sea of Glass was the title chosen for his festival-commissioned work, by Anthony Payne (born 1936), better known as critic than as composer. His selections from the Old Testament and Revelations are interestingly without a single mention of the Deity. Over a space of about 20 minutes, he displays a sustained choral sound in a modernist style perhaps closer to Penderecki or Ligeti than to any British model, while at the same time writing for the organ as if he had never seen any traditional organ music. The instrument explodes in jagged, swift, intricate rhythms, the tone-colour being left to the player. Here it was John Clough, whose skill I admired throughout the concert in synchronising with a choir at some distance from the instrument.

On first hearing, the new work repays attention rather impressionistically, by the impact of forceful ideas and by the balance between sections. It promises to convey deeper conviction on further acquaintance.

King's College (New Theatre)

The Bridge of Sighs

by RONALD CRICHTON

If a particle of the efforts applied to making a satisfactory version of *The Tales of Hoffmann* went to exploring those among Offenbach's less ambitious earlier works which for various reasons did not establish themselves in his lifetime, the repertory would be richer and audiences happier. Leslie Head, conductor of Opera Viva Workshop, has followed the example of the rediscoverers of *Robinson Crusoe* by digging up another forgotten work, not of the same quality, but certainly worth revival by light opera companies who perform in small- or medium-size theatres.

The Bridge of Sighs was produced, as *Le Pont des Soupirs*, at the Bouffes-Parisiens in 1861 and revived in amplified form seven years later at the larger Variétés. Success was prompt but short-lived: Offenbach was so fecund at that period that only the very best survived. Mr. Head traced score and parts to Budapest, where a production was in preparation. There is no record of a staging in Britain before this one, mounted by the workshop under Mr. Head's musical direction at King's College last week.

Medieval subjects were as popular in the Second Empire as mythological ones. Perhaps because they were less revered by solemn people, the temptation to blow them sky-high was not so strong, and treatment accordingly flimsier. The libretto of *The Bridge of Sighs*, by Crémieux and Halévy (also responsible for *Orpheus in the Underworld*), is a zany burlesque melodrama about an exiled Doge in 14th century Venice who returns in disguise to watch over his wife's virtue. He opens the opera by serenading her: two rivals promptly follow suit, and the result is neatly worked into a quartet.

Later there is a male-voice quartet for the disguised Doge, his squire, and two incompetent assassins hired by the Council of Ten. Local colour is not only Venetian: a cod mad scene for the heroine somehow turns into a sextet in bolero rhythm. An extravagantly florid duet in *vocalises* sounds from a description by Offenbach's French biographer Louis Schneider as though it belonged to the first version. (I wish the present possessor of my copy of the vocal score would kindly return it).

Schneider, writing in the 1920's, suggested that *The Bridge of Sighs* was not at that time feasible in the theatre because of the abundance and difficulty of the choral writing! Abundant it is, but (unless Opera Viva left something out—hardly necessary with their competent chorus) the difficulty need not deter any company able to tackle, say, *The Gondoliers*.

More and more one senses how gifted and inventive Offenbach's troupe (and he himself, as their director) must have been. Opera Viva's production, by Roger Williams, was most successful in the first and last scenes. The Council Chamber act suffered from too much pseudo-senile doddering. Of the soloists, Stacey almond as the page Amoroso (graciously allowed by the wicked usurper to accompany the doting Dogessa and her complaisant husband into his second exile) never put a foot wrong. Eileen Lowes, Thomas McAlister, Simon Vaughan, David Clyde, had effective moments. The English translation by Rosemary Barnes ran easily: colloquial enough for a modern audience yet with a hint of period flavour.

Radio 3

Der ferne Klang

by ELIZABETH FORBES

Next year marks the centenary of the birth of the Austrian composer Franz Schreker, and the BBC, by courtesy of The European Broadcasting Union, celebrated this event on Saturday with a performance of Schreker's best-known opera, *Der ferne Klang*. Though his music is seldom played to-day, as a teacher Schreker exercised an important influence over a whole generation of German musicians, just before and during the first world war, in Vienna, and all through the 1920s in Berlin. He himself was chiefly influenced by Strauss, and more indirectly, by Debussy.

Der ferne Klang—the faraway sound—for which Schreker provided his own libretto, was begun in 1903 but not finished until nearly seven years later. A projected performance in Vienna fell through when Weingartner left the Hofoper, and the opera was eventually produced, with great success, at Frankfurt am Main on August 18, 1912, conducted by Ludwig Rottenberg. Two years later Bruno Walter introduced the work, to even more enthusiastic acclaim, at Munich, and a production in Paris was only cancelled because of the outbreak of war.

Romanticism permeates both text and music. The "faraway sound" lures Fritz from his sweetheart Grete to chase an artistic ideal. Grete, whose drunken father loses her at dice to the landlord of the Swan tavern, runs away and, lost in the forest at night, follows a mysterious old woman who promises a life devoted to pleasure. Ten years later her titled admirers are competing for the favours of Grete, now a courtesan in Venice, when a stranger arrives; it is Fritz, who has pursued his ideal in vain. Grete offers him the prize—herself—but he spurns her as a harlot.

The score might have been specially composed for radio. Its stereophonic effects — raucous laughter from the tavern, girls' voices and gypsy music wafting across the lagoon—come over superbly. Orchestration is Schreker's strongest suit—Berg, who prepared the piano score, learnt much from his senior—and the first- and third-act interludes are particularly effective, but his vocal writing is also deft and original. The final scene, in which Grete is briefly reunited with Fritz, who dies in her arms, the "faraway sound" at last ringing loudly in his ears, touches a genuine emotion.

Ernst Märzendorfer, conducting the Austrian Radio Symphony Orchestra and a large cast, leads the secure, well-prepared performance. Fritz (tenor) is firmly sung by Eberhard Büchner, who conveys the visionary aspect of the character skilfully. As Grete (soprano) Maria de Francesca differentiates the experienced courtesan from the innocent young girl, but her tone is too thin to suggest voluptuousness and her finest number is severely cut. Claudio Nicolai as the Count (baritone) sings his Ballad with conviction, while William Reeder as the Chevalier (tenor) elegantly phrases his song about the Flowergirl from Sorrento.

[Festi]val Hall

Every Good Boy Deserves Favour

by B. A. YOUNG

Rather cunningly, André Previn began the first evening of the John Player Centenary Festival with Prokoviev's *Lieutenant Kijé*, music that originally accompanied a Russian film comedy dealing with the indifference of Russian authorities to the condition of the individual. The same theme, less frivolously treated, colours the hour-long work for actors and orchestra which has been composed by Mr. Previn and written by Tom Stoppard to occupy the second half of the evening.

For this, room for three acting areas was found among the musicians on the platform. Downstage, John Wood and Ian McKellen as two characters both answering to the name of Alexander Ivanov, lay on hospital beds in a Russian psychiatric hospital.

Mr. Wood is genuinely mad; he believes that he is always playing in an orchestra and that everyone is part of an all-embracing musical cosmos. Mr. McKellen is different; he is in hospital because he believes in freedom of speech.

To the right of the second violins, a small platform houses the schoolroom where the boy Sacha (Andrew Sheldon), son of Ivanov-McKellen, shows the first signs of dissidence in disputes with his teacher (Barbara Leigh-Hunt), that begin with such minor matters as membership of the school band. Left of the double basses is the consulting room where the two patients meet their doctor (Patrick Stewart). He happens to be an enthusiastic member of an amateur orchestra but he does not think that political schizophrenia ("Your opinions are your symptoms") calls for more than a light laxative.

The London Symphony Orchestra sometimes represents the sound in Ivanov-Wood's head, sometimes plays "background music"; but Mr. Previn has also written some important interludes of attractive atmospheric music that truthfully convey the sense of tragedy and the sense of strain that lie over the situation.

Trevor Humphries

André Previn, conductor of "Every Good Boy Deserves Favour" and artistic director of the John Player Festival.

Tragedy and strain are present throughout the work, but this has not kept Tom Stoppard from writing some good comic dialogue. Humour can be a powerful weapon for the presentation of despair, as Evelyn Waugh, among others, has shown us, and Mr. Stoppard has harnessed it effectively, modulating from the throwaway puns of his first scene to the heart-searching pathos of his conclusion. You might argue that he has not said anything very new: we hear too often of dissidents in mental wards. Where he scores is in the way that he says it—not only in the masterly manner in which he has integrated the orchestra into his tale, but in the skill with which he has approached the shame of the situation through his farcical comedy. To present a familiar argument in a new and easily digestible form is a valuable achievement.

One of his arguments takes a line not often followed. There is a special pathos in the urgent way the boy pleads with his father to be "less rigid," so that he may be released and give his son a father again. How much suffering is a man entitled to cause through resolute adherence to his principles? I am glad I have never had to face such a decision myself.

There is little room for imaginative direction on the crowded platform, and Trevor Nunn has kept things as simple as he can. Ralph Koltai's design consists principally of covering the whole platform with crimson lacquer.

Coliseum

Giselle

by CLEMENT CRISP

Eva Evdokimova, who joined Nureyev for performances of *Giselle* during the latter part of last week, has many of the gifts that are conventionally associated with Gautier's heroine: facial expressions more suited to shy sorrow than joy, tendril-like limbs, beautiful elevation. On these she capitalises to create an image of soft-grained romanticism which is touching but can, at times, look rather debilitated: she is so much the innocent victim, so milky bland in physical impulse, that the real merits of her dancing are often lost amid a fuzziness of sweetly self-effacing characterisation. On Friday night, the first act was dramatically appealing and at moments thrilling, as Evdokimova suddenly soared—her *ballon* and elevation, the way she can float upwards from the stage, quite exceptional. I worried, though, that the image of a step, the dynamics of a sequence, could seem to taper away into nothingness, or that her very facility in dancing was weakened by a too-even tone: there was sometimes no sense of gradation in step, no shaping within a phrase to give colour and vitality to incident.

But with the second act Evdokimova cast off her physical genteelisms, and the wili, ironically, seemed more alive than the peasant girl. The flow of the dance was strong, the body seemed fully stretched, and Evdokimova's uncanny ability to soar into the air without any seeming preparation (a kind of "vertical take-off") was well used. From Nureyev here a comparable grandeur of execution: the two great solos of the second act seem written into his body (like the Prince's variation in *Beauty* Act 3 he does not know how *not* to dance them), and he produced sharply cut turns and beats that exactly suit the agonies of the doomed Albrecht.

The Corps de ballet have, in the four *Giselles* I saw last week acquitted themselves in fine style. Manola Asensio has a wonderfully even *pas de bourrée* for Myrtha's first appearances, but thereafter becomes boisterous in manner; as a leading Wili Andria Hall with her beautiful ports de bras and airy grace seems to be ideal. The lighting has been fitful: the quaint idea that you have to tell an audience that something tragic is happening by casting the stage into Stygian gloom surely went out with belief in a flat earth and the stability of the pound sterling.

OVERSEAS NEWS

Catalonia autonomy negotiations shortly

By Our Own Correspondent

MADRID, July 3

SR. ADOLFO SUAREZ the Spanish Prime Minister, and Sr. Josep Tarradellas, the President of the General Itat, the Catalan government in exile, have reached agreement over an early start to the negotiations for the return of autonomy to Catalonia.

The General Itat will be re-established as a provisional administrative organisation made up of representatives from the four Catalan provinces by the end of this month, according to an Interior Ministry statement. The four provinces will by then be formed into a region.

The new Parliament would then work out with the General Itat the statute and degree of autonomy for Catalonia, which enjoyed home rule under the Republic.

The agreement came after two meetings last week between the 78-year-old Sr. Tarradellas and the Prime Minister and one meeting with King Juan Carlos. Sr. Tarradellas, a Republican, and still considered a spokesman for Catalonia, has said that he will only return to Barcelona as the General Itat President, which may be possible at the end of the month. Sr. Tarradellas was due to return to his home in exile in France to-day.

The statement also promised varying degrees of autonomy for all Spanish regions. The decision has taken politicians by surprise and represents an astute move by Sr. Suarez, whose Democratic Centre Union party did badly in Catalonia in the General Election, where the Socialists and Communists won most of the seats. Suarez went over their heads when meeting Sr. Tarradellas.

Lebanon fighting continues despite UN ceasefire bid

HOULA, July 3.

UNITED NATIONS officers to-day arranged a ceasefire on the most important front in war-torn southern Lebanon but sporadic fighting continued near the border village of Yarin, south-west of here.

Yarin, only 1,200 yards from the coiled barbed wire fence which forms the border with Israel, was stormed by right wing forces yesterday after a fierce five-hour battle but later recaptured by forces of Lebanon's leftwing-Palestinian alliance.

Eyewitness reports from the village of Jibbine, which overlooks Yarin, said that Palestinian commandos and their leftwing Lebanese allies were in control of the village. But sporadic exchanges of mortar and machine gun fire continued.

Informed residents of Houla, on a north-south road running from the leftwing stronghold of Bint Jbeil into an embattled right-wing enclave along the Israeli border, said that UN officers had arranged for a truce between troops in the enclave and their adversaries in the strategic towns of Khaim and IBL as-Saqi.

There is a UN observer post overlooking Israel a few miles north of Houla. The residents said that the truce was arranged by UN personnel manning the post.

Two UN officers to-day went inside the enclave to meet its commander, Major Saad Haddad, and apparently discussed details of the truce. Right-wing troops at a command post north of the border village of Kfar Kila would not disclose how it was arranged and how long it was scheduled to last.

It was believed to have been the first ceasefire arranged by UN personnel in southern Lebanon, where the civil war continued unabated after fighting here ceased last November.

Right-wingers in the enclave and Left-wing Palestinian forces facing its key towns—Marjayoun and Kleya—have been engaged in almost daily artillery duels for months. But to-day the area was calm and not a single shot was heard during a three-hour stay inside the Right-wing area. Inhabitants of Right-wing-controlled villages to-day walked through the gate in the border fence for medical treatment in Israel and a long line of cars was parked outside the gate.

Palestinian fighters in Bint Jbeil said to-day that at least 30 people had been killed in yesterday's fighting for Yarin, said by the Palestinian news agency Wafa to have involved Israeli troops backed by eight tanks. Israel denied involvement although witnesses said that Israeli artillery had backed the Right-wing attack on the village.
Reuter

David Bell writes from Washington: The Carter administration has begun discreetly sounding out Congress about a possible $100m. grant to the Lebanon to help it establish a new military force to keep order inside the country according to reports here this weekend.

No official comment was forthcoming to-day but sources confirmed a report in the New York Times that Mr. Alfred Atherton, Assistant Secretary of State for Near East Affairs, had outlined the administration's proposal to a closed meeting of the Senate Foreign Relations Committee last Thursday.

Israel plays down settlements

BY DAVID LENNON

TEL AVIV, July 3.

THE LIKUD-led Government in Israel was to-day trying to play down the significance of a plan to settle 10,000 people in five new Jewish cities on the West Bank. The plan which also calls for the creation of 43 new rural settlements in the occupied territories, was shelved by the previous Labour Government when it was placed before it by the Likud Party some six months ago.

Over the week-end, Agriculture Minister Ariel Sharon, who is responsible for settlements, was at pains to stress that the plan had not been brought before the Ministerial Committee on settlements, which has to take the final decision.

The timing of the report that Mr. Sharon was studying the plan was seen here as particularly embarrassing, coming as it did only days after the U.S. and the EEC issued declarations ruling out continued Israeli control of the bulk of the lands taken in the 1967 war.

Knesset member Yigal Cohen, who headed the Likud team which drew up the plan, said that in order to realise it within four years most of the government housing projects planned for the coastal strip of Israel would have to be transferred to the West Bank.

He denied that there would be difficulty in finding Israelis to live in these new cities, and stressed that they would be able to continue to work in their jobs inside the borders of pre-Six-Day War Israel.

● Israel to-night carried out its first devaluation since the Likud Government came to power last month. The Israeli pound was devalued by a further 2 per cent. from mid-night bringing its value to 9.79 Israeli pounds against a basket of currencies, the Finance Ministry announced.

Editorial comment Page 12

U.S. base speculation

THURMONT, Maryland, July 3

THE CARTER Administration, anxious to prove its firm commitment to Israel, is considering numerous proposals it hopes may set the stage for a Middle East peace, including establishing a U.S. military base in Israel. Consideration is being given to several other proposals aimed at reassuring Israel.

"The idea would be to guarantee the commitment," one official said. "If there was an actual base, it would be sort of like an insurance policy for the Israelis."

Another source said that one possibility considered involved establishing an American naval base at the Israeli seaport of Haifa.

White House Press Secretary Jody Powell said that he could not "confirm or deny" whether establishing a U.S. base in Israel was under consideration.
UPI

Ex-Minister kidnapped in Egypt

BY MICHAEL TINGAY

CAIRO, July 3.

AN EXTREMIST Muslim group to-day kidnapped the former Egyptian Minister of Islamic Affairs and have threatened to execute him if their demands are not met within 24 hours.

A member of the organisation, known in Arabic as the Gamaat el Takfir wal Hejira (Group for Repentance and Flight), telephoned news agencies early in the morning saying that Sheikh Muhamed Hasan el Zahabi had been taken from his home in Helwan, south of Cairo. Police confirmed that Sheikh Zahabi had disappeared.

The group is demanding the release of 60 of its members from prison and have threatened to follow with another kidnapping and execution each day until they are freed. Cairo newspapers to-day reported the arrest of an eight-man cell from the same group which was responsible for a spate of incidents two years ago.

In June 1975, members of the same group, which was formed to enforce the strict codes of Islamic law, received long prison terms after plotting to burn down the shrine of a *Muslim* saint in Sharquiya province, where they had already burnt down six musuoleums.

As Muslim fundamentalists, they do not believe that the Egyptian Islamic institutions are applying the "Shari's (Muslim) law. For this reason they avoid mosques preferring to live in seclusion, often in mountain caves, under strict Muslim codes.

In May 1975 a larger group of extremists, mainly young men with beards, was discovered in the upper Egyptian town of Minia after parents complained that their daughters were being enticed from their homes. Muslim extremists had previously featured in the trial of 92 people accused in the technical military academy plot in overthrow President Sadat's Government in April 1974.

Reuter adds: Police said tonight that an emissary from the kidnappers had gone to the Interior Ministry to negotiate the group's demands. The emissary, who was not named, told Deputy Interior Minister Nabawi Ismail that if he failed to return the ex-Minister would be killed.

Zambia will sue oil companies

BY OUR OWN CORRESPONDENT

LUSAKA, July 3.

ZAMBIA has formally notified western oil companies, including British Petroleum, Shell and Caltex, of its intention to take legal action against them for an alleged conspiracy said to have cost President Kenneth Kaunda's landlocked nation over $500m.

The notification was given in letters to the companies despatched yesterday and reproduced in part in to-day's Sunday Times of Zambia. Legal action will be the culmination of a campaign by President Kaunda to try to halt oil supplies to Rhodesia and thus speed the downfall of Mr. Ian Smith's government.

"In the letters, the Attorney-General, Mr. Mainza Chona, who is also the Minister of Legal Affairs, alleges that the oil companies broke agreements negotiated in 1962 for the supply of oil to the now defunct federation of Rhodesia and Nyasaland, which grouped North Rhodesia (now Zambia), Southern Rhodesia and pre-independence Malawi.

The companies deprived Zambia of oil so as to build up stocks in Rhodesia in anticipation of Mr. Smith's unilateral declaration of independence in 1965 it is being claimed. What is unclear from the letters is whether Zambia is continuing to claim that it is being deprived of petroleum.

According to oil sources, Zambia buys its crude and spike purchases from Caltex. Processing takes place at the Italian-built Ndola refinery and distributors of petrol and other products include Shell, Caltex, Mobil and Total.

In the letters, Mr. Chona tells the oil companies "the necessary and direct result of your actions (which actions have recently come to the notice of the Government of the Republic of Zambia) has been to cause and to continue to cause considerable financial loss to Zambia, putting her economy at very serious risk."

He also serves notice of Zambia's intention to pursue claims that the oil companies broke international and national sanctions legislation in supplying oil to Mr. Smith's Government.

The companies have been given five weeks to send Mr. Chona the names of their legal representatives. Other companies concerned are Mobil Petroleum Company, Compagnie Francaise des Petroles, Royal Dutch Petroleum, Shell Transport and Trading Company, and Central Africa Petroleum Refineries.

The Government here has said it is planning to hold court proceedings against the companies in Lusaka, but has not so far announced a date. Lonrho chief, Mr. "Tiny" Rowlands, is also taking separate action against oil giants for supplying oil to Rhodesia.

Kevin Done writes: Both Shell and British Petroleum declined to comment yesterday in London on the Zambian Government's allegations. However, BP pointed out that it had welcomed the UK Government's initiative three months ago to set up a judicial inquiry into whether the two oil companies had broken the embargo against trade with Rhodesia. It did not wish to comment while this investigation, with which it was co-operating, was in progress.

Radioactive gas leak at French plant

By Robert Mauthner

PARIS, July 3

A LEAK of radioactive gas from a nuclear processing plant near Pierrelatte in Southern France at the weekend is likely to lead to an intensification of the already lively anti-nuclear campaign in France.

The gas, known as UF6, or uranium hexafluoride, poured out of a container at the Comurhex plant for a full 20 minutes after workmen had attempted to replace what they thought was an empty cylinder, which was in fact still connected to a supply pipe.

Nine people who were present in the factory when the accident occurred were immediately taken to hospital for a check-up, but were later released. Traffic in the area was diverted for several hours while experts collected air samples within a six-mile radius of the plant.

Officials and scientists later said that the leakage had not been as dangerous as at first feared. Though the gas formed a white, mushroom-shaped cloud in the sky over the factory, a geiger counter check had shown that radioactive contamination was restricted to an area of no more than 60 metres around the plant.

The "Comurhex" plant, a joint subsidiary of the French Atomic Energy Commission and the industrial groups Pechiney-Ugine-Kuhlmann and St. Gobain, produces some 6,100 tonnes a year of uranium hexafluoride which is later transformed into enriched uranium fuel for use in nuclear power stations.

OECD praise and warning for Greece

By Our Own Correspondent

PARIS, July 3.

GREECE is given a pat on the back by the OECD Secretariat—in its latest report on the Greek economy—for the success of its short-term policies, but is warned that it will have to pay much more attention in the future to structural reforms of its industry.

Both in 1975 and last year, the Greek authorities managed to apply "a coherent combination of monetary, fiscal and exchange rate policies with flexible adjustment to changing circumstances," the report notes. In 1976, GNP grew by 6 per cent., there was a strong rise in industrial production and, contrary to developments in most other member countries, the employment situation improved.

Though policy is expected to follow a somewhat less-expansionary course in 1977, partly because of the need to curb inflation, but also because of the recovery in private demand, GNP is still expected to increase by 5 per cent. this year, according to the OECD. The rise in consumer prices, given an expected slow-down in wage increases, should be broadly in line or just above the official target of 10 per cent., considerably lower than last year's 13.2 per cent. inflation rate, but still much higher than that of Greece's main trading partners.

It points out, moreover, that little has been done over the past few years to correct some of the structural imbalances in the economy, such as the low share of the manufacturing sector in output and employment, the exceptionally large weight of the self-employed in the economy and the unsatisfactory tax structure.

Ethiopia attack at OAU summit

LIBREVILLE, July 3.

ETHIOPIAN Head of State Mengistu Haile-Mariam to-day launched a stinging attack on Sudan and Somalia, accusing his neighbours of a "co-ordinated conspiracy" against his country.

In a speech which stunned many delegates at the summit meeting of the Organisation of African Unity (OAU), the Ethiopian leader charged the two countries with violating Ethiopian sovereignty.

The speech was the strongest to surface so far during the four-day summit meeting, which has had to face several inter-African disputes.

Lieutenant-Colonel Mengistu alleged that Sudan was "trying to foment instability and subversion in northern and northwestern Ethiopia," and Somalia was training and infiltrating guerillas "in the hope of annexing one-fifth of Ethiopia."
Agencies

Teargas fired in Soweto

JOHANNESBURG, July 3.

POLICE fired teargas to disperse crowds of stone-throwing students in Soweto to-day after the funeral of a black girl killed by police bullets in the township last week.

Soweto Police Chief Brigadier Jan Visser said that teargas was used in two areas of Soweto to-day. It was the second day running that police used riot measures to control students after funerals in the sprawling black township on the edge of Johannesburg which has suffered sporadic disturbances since major rioting last year.

"These so-called mourners in Soweto, it's becoming a habit for them to stone motor cars as soon as the funerals are over," Brigadier Visser said. He added that there was a crowd of between 5,000 and 7,000 at today's funeral for 18-year-old Johanna Betty Rathebe.
Reuter

Agreement on EAC funding

DAR ES SALAAM, July 3.

TANZANIA confirmed to-day that it had reached agreement with Uganda on the continuation of the East African Community (EAC) following the pull-out of the third partner state, Kenya.

A Government statement said that each country will fund EAC projects in its territory for an interim three-month period from July 1, the start of the new financial year.

The statement said that the Vice-Presidents of the two countries met in Kampala yesterday and "pledged that they will spare no effort in preserving the community."

The two countries also agreed that the EAC secretariat, based in Arusha, Tanzania, will be jointly funded during the three-month period. Tanzania paying 59.6 per cent and Uganda 40.4 per cent.
Reuter

WORLD TRADE NEWS

MULTI FIBRE ARRANGEMENTS RENEWAL

Carrot-and-stick approach

BY DAVID EGLI

GENEVA, July 3

THE POSITION of the European Community with respect to the Multi Fibre Arrangement (MFA) governing world trade in textiles and clothing appears to leave the door open to compromise over the issue of renewal. At the same time, however, the negotiating mandate of the EC Commission apparently embodies an explicit warning to other signatories of the present four-year pact that, failing agreement on some adjustment of the arrangement to provide the Community with greater protection from the flood of textile imports, it may impose global quotas to protect European markets from disruption.

This carrot-and-stick approach of the world's biggest market for developing country textile exports will be discussed here this week in a session of the General Agreement on Tariffs and Trade Textile Committee attempting to regulate the market beyond the end of this year when the present MFA expires.

At odds with the European Community, most countries, including major exporters such as South Korea and Hong Kong, have lined up with the U.S. in calling for a simple extension of the arrangement as it now stands.

Faced by an increasing flow of textile imports, growing at 6 per cent. per year, the Community has refused this so far and insisted on renegotiation. Largely isolated in this stand, it now appears that it may be willing to accept minimal assurances in the form of agreed interpretations of certain articles of the MFA without insisting on an opening of the whole agreement for renegotiation.

A key element is the EC's ability to insist on bilateral discussions with exporters, when it feels this necessary because of the high level of market penetration in relation to the development of textile consumption within the Community.

The target here is products which have achieved particularly high market penetration in relation to 1976 levels. It means that the EC will try to ensure that growth rates in all textile imports considered to be disruptive do not in any case go beyond the real growth of consumer demand.

The Community argues that this approach is compatible with the conditions of the present MFA, and warns that should this interpretation be challenged it might have to dig its feet in and seek more basic changes before agreeing to a renewal.

The European position is delicate; the Community claims to have absorbed 72 per cent. of the increase in total world textile imports in the years 1974 and 1975. The textile industries in Britain and France, appalled by the impact that this has had, insist that a curb must be put on imports to protect employment in this sector. In response, it is understood that the Commission in Brussels has undertaken to introduce global quotas next year failing the conclusion of the present negotiations in a manner acceptable to the whole Community.

There is some controversy as to whether the existence of the MFA legally precludes resort to Article 19 of the General Agreement on Tariffs and Trade. The safeguard arrangements embodied in this article permit countries to protect their markets through the setting up of global quotas. They were applied to textiles by Canada six months ago, despite energetic protests from certain textile exporters who challenged the Canadian right to take safeguard action outside the terms of the MFA.

This Community appears, in effect, to be warning exporters that if it does not achieve so significant practical modificat in the application of the M allowing it to breathe a easier, it would leave them fight out their respective sha of the European market in free-for-all within an ove quota.

The threat is both daunt and divisive as far as the porters are concerned, since weaker ones among them re nise that under such condit they would stand little chanc maintaining the share of th market they now enjoy.

Many countries, both expor and importers, recognise shortcomings of the pre textile arrangement, and are really as unsympathetic to European position as the vious rounds of talks at the of last year and in March w suggest. But they fear tha the pect is opened to re-neg tion, it could fall apart result would be renewed and in the world textile marke something which the pre arrangement, despite its s comings, has prevented, at prospect which no one looks ward to. Hence, the general for a five-year renewal.

Japanese win Soviet dock order

By David Satter

MOSCOW, July 3.

SUDOIMPORT, the Soviet foreign trading organisation, has signed a contract worth nearly Y13bn. (£27.83m.) with Ishikawajima Harima Heavy Industries of Japan for the purchase of what will be the largest floating dock in the world.

Japanese sources said that the dock is to be built in Japan and then transported to the Soviet Union by sea. It will be used to repair ships of up to 80,000 tons and will be 300 metres in length. It will be located in a Far Eastern Soviet port.

The terms of purchase for the dock, which will be for the Soviet Shipbuilding Industry Ministry, are 30 per cent. cash with the credit balance to be paid over five years from the date of delivery.

Philips, Ericsson plan joint Saudi tender

BY MICHAEL VAN OS

AMSTERDAM, July

PHILIPS, THE Dutch Electrical group, has joined forces with Ericsson of Sweden in the hope of boosting their chances of success in the international competition for a mammoth Saudi Arabian telecommunications contract.

The much coveted order in the international telecommunications industry includes the complete modernisation and extension of the Saudi telephone system. The number of telephone lines will be raised from 100,000 to 860,000.

As part of a selective tender, a number of international companies had been invited in March to participate in the competition. They were reported to be ITT and ATT of the U.S., Plessey and GEC of the U.K., Thomsen of France, Siemens of Germany, three Japanese companies co-operating for the Saudi contract, namely Nippon, Hitachi and Mitsubishi, as well as Philips and Ericsson individually.

In Eindhoven, Philips refused to give any indication of the possible size of the Saudi contract, other than to say that it would be worth several billions of Guilders.

A spokesman said that the "books" of technical specifications for the project have been received from Riyadh last month and that the tenders for the Saudi project would have to be submitted by September 27 this year. "We have the impression that the Saudi Government wants to speed up the decision-making procedure, so the contract could be finally awarded before the end of the year," he added. If the Philips/Ericsson combination gained the contract, the work to be done would be shared on an even basis as much as possible.

It has been reported earlier that Philips had at one stage been preferred tenderer for the order, but that other companies were later asked to participate in the tender, as the Dutch offer was considered too expensive. The company itself has never commented on the report, stating that it has made a "technical prestudy of the work invo last year, at the invitation the Saudi government." other companies involved in study had been Holzmann of West Germany, Sirti of I and Continental Telephone the U.S.

● The Bell Canada gr through Bell Canada I national, is studying spec tions for operations and ing equipment for Saudi A John McCutcheon, chairm Bell International and s president of Bell Canada, s team of between 10 and 20 Canada and Northern Tel experts is studying the 600 specifications issued two m ago in Riyadh. The job of paring a full bid will take a 90 days.

"We are very serious the bid," he said. "How there are some wrinkles i specifications. There is question whether North A can technology will be ad to the European-style syste ready installed or ordered."

£12m. Kenyan chemicals plant

By Kevin Done, Chemicals Correspondent

THE KENYAN Government-sponsored £12m. project to build a plant to produce furfural, acetic acid and formic acid from maize cobs has been put out to contract with the engineering services going to Foster Wheeler.

The contract has been placed by the Kenya Furfural Company of Nairobi. It has awarded the contract for process technology and the basic process plant to Sulzer Bros U.K. together with the Escher Wyss engineering group of Switzerland and West Germany.

Foster Wheeler claims that the plant will be the first industry of its kind in Africa. Previously maize cobs have been largely regarded as a waste product, but they will now be used to produce furfural, acetic acid, formic acid and a bulk filler for animal feed.

Furfural has end uses in the manufacture of synthetic resins, moulding compounds, disinfectants and deodorants. The whole project is being implemented by the Guiness Peat Group of London, which is providing the management and marketing services.

Leasing boom hits Swedish second-hand car market

BY JOHN WALKER

STOCKHOLM, July

THERE IS a glut of second-hand cars on the Swedish market, caused partly by a boom in leasing. Dealers are complaining that buyers are scarce. The stock of second-hand cars now amounts to 100,000 vehicles valued at Kr.2bn. (£260m.) compared with the usual figure for this time of year of about 60,000 cars.

One of the main factors behind the sodden upsurge in the number of cars being returned to dealers is the termination of two- and three-year-old leasing contracts. Both 1975 and 1976 were record years for car sales which reached 285,000 and 313,000 cars respectively. More than half the cars sold last year were company cars, according to a survey conducted by the Consumer Council. Corporations own 10.6 per cent. or 305,000 of all registered passenger cars in use, that is 2.8m. at the end of last year. Of a total of 321,000 passenger cars entered on the central register of vehicles during 1976, 43.5 per cent. or 140,000 were owned by corporations.

Leasing, which is a recent development on the Swedish car market, is now having a major effect on sales. The main point which dealers have failed to anticipate is what happens when the two-, three- or four-year-old cars on lease are returned to the market. The majority are in good order and have fairly similar mileages recorded despite the different ages of the cars.

A spokesman for the National Association of Motor Traders and Repairers said that Leasing represented about 14 per cent. of the market, and dealers will resist any move by private individuals to obtain cars on a leasing basis. Some very reduced rates have been obtained, the spokesman added, by professional sports clubs which have been obtaining cars for some of their team members—the club has managed to get about half the leasing fee back in the form of advertising on the cars.

Another spokesman for the dealers suggested on television last week that sales of new cars should be held back to allow the second-hand car market to return to equilibrium.

The 1974 and 1975 models have recently been returned to the market at a time when sales are generally depressed. The figure for new car sales for this year are down to 123,000 compared with 130,000 in the same period last year. Adding to the dealers' troubles is the normal stock of second-hand cars which shown little sign of moving the new 1977 models sti stock which must be sol September when the new models will be announced.

Leasing is likely to pla increasing part in car sal the future. For instance, a pany can lease a car for employee instead of giving a salary rise. This benefit the employee and the empl as the former does not ha pay much, if any, tax so employer avoids paying s benefit contributions—whic very high in Sweden—on sum involved in the leasin the car.

Japan's partner for Singapore

TOKYO, July 3.

A GROUP of 23 Japanese companies and the Japanese Government have set up an investment company as agents for the Japanese partners for the 50/50 Singapore-Japan Petrochemical project in Singapore.

The new company, the Japan-Singapore Petrochemicals Company, is capitalised at Y126m. and is 30 per cent. owned by the Overseas Economic Co-operation Fund and 70 per cent. by the Japanese companies including Sumitomo Chemical. The capital will be increased finally to about Y10bn.

The project entails a 300,000 tonne a year ethylene centre in Singapore by 1982, Sumitomo said.
Reuter

N. Zealand to buy Lada

BY DAI HAYWARD

WELLINGTON, July

NEW ZEALAND will probably import up to 1,000 Russian-built motor cars following talks between Russian trade officials and Minister of Trade and Industry Lance Adams-Schneider. The car—the Lada—is based on the Fiat 124 model but will sell for $1,500 less than the Fiat in New Zealand. Mr. Adams-Schneider says "I am sure we will enter into some arrangement to get this car here."

There has been a steady build-up of trade between the Soviet Union and New Zealand over the past few years. Recent orders from Russia for big quantities of New Zealand meat and dairy produce have accelerated this.

The trade balance is very much in New Zealand's favour and the Soviet Union is anxious to increase its exports to New Zealand. New Zealand trade authorities, desperately an to retain a full export mar Russia, are keen to see New Zealand imports from Soviet Union, and motor veh is one area where New Ze buying can be stepped up.

● Chrysler Australia said discussing production cut with unions following a dr car sales, Reuter reports Adelaide. Chrysler said sal all makers of cars have dro nearly 17 per cent. in the ter to the end of May com with the same 1976 period. are still declining and it is n sary to further reduce pr tion, the company said, but no detailed figures.

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World Economic Indicators

UNEMPLOYMENT

		June '77	May '77	April '77	June '76
U.K. (s.a.)	000's	1,352.8	1,315.9	1,322.6	1,256.5
	%	5.7	5.6	5.6	5.4
		May '77	April '77	March '77	May '76
France (s.a.)	000's	1,096.7	1,039.4	1,002.5	n.a.
	%	5.0	4.7	4.6	n.a.
W. Germany	000's	946.5	1,039.2	1,084.2	953.5
	%	4.1	4.6	4.8	4.2
Holland	000's	179.8	187.7	201.5	189.0
	%	4.7	4.9	5.3	4.9
Belgium	000's	251.3	252.6	255.7	216.9
	%	9.7	9.7	9.8	8.3
		April '77	March '77	Feb. '77	April '76
U.S. (s.a.)	000's	6,737.0	7,064.0	7,183.0	7,047.0
	%	7.0	7.3	7.5	7.2
		Jan. '77	Oct. '76	July '76	Jan. '76
Italy	000's	1,459.0	777.0	776.0	681.0
	%	6.8	4.0	4.0	3.5
		Oct. '76	Sept. '76	Aug. '76	Oct. '75
Japan	000's	1,000.0	1,010.0	1,030.0	1,030.0
	%	1.8	1.9	1.9	1.9

s.a.=seasonally adjusted. n.a.=not available.

Britain may have record reserves

BY MICHAEL BLANDEN

BRITAIN'S OFFICIAL reserves have been boosted in the past month, probably to a record, through the $825m. loans raised by the British National Oil Corporation from a group of U.K. and American banks.

Reserves figures last month, due to be published to-day, are expected to reflect the impact of this foreign currency borrowing, of which $750m. has been taken in the past month.

The loan, announced last month, will enable the State oil undertaking to pay off all its loans from the Government, and was unusual in being arranged without any form of Treasury guarantee. It is nevertheless expected that, because of its size, the borrowing will be allowed to show up immediately in the official reserves figures.

This will provide a renewed increase after the $229m. decline in the reserves in May. This was the first time this year that they had shown a fall, reflecting a partial reversal of the heavy inflows of funds which helped to push the total up by some $6bn. in the earlier months of the year to reach a peak of $10.13bn. at the end of April.

The figure should have been exceeded last month as a result of the special inflow from the loan. During the month, the exchange markets have generally been fairly stable, though it is thought that the reserves may have been increased further last week by some official purchases of currency as the pound strengthened in relation to the generally weak dollar.

On the domestic front, further pointers to the state of the economy will be provided by banking figures due on Wednesday and by the detailed statistics of personal income, spending and savings on Friday.

There have been signs recently of an underlying upward trend in the level of bank lending to the private sector in the U.K., in spite of the general depression.

But so far there has been no indication that the increased demand has been coming from manufacturing industry to support renewed investment.

The increase has been going at least up to the middle of May, predominantly to other sectors including personal borrowers and the retail trade.

CBI MONTHLY TRENDS INQUIRY

Jobs in industry not rising

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THERE SHOULD be a significant slowing-down in price increases by U.K. manufacturers in the next four months, according to the latest monthly trends inquiry by the Confederation of British Industry.

Industry's investment intentions and its expectations about output had not improved, however. The survey also suggested that employment in manufacturing was no longer on the increase.

Much of the investment planned was to improve competitiveness or reduce costs, rather than to increase capacity, the CBI said.

The inquiry showed that not since August 1975 had there been a lower number of companies expecting to increase home market prices. The trend was particularly noticeable in the intermediate goods sector, where the balance of companies expecting to increase prices was noticeably lower in June than in May.

But the inquiry suggested there had been little, if any, improvement in the level of manufacturing activity in the last two months and in most regions there was little expectation of any substantial increase in capacity utilisation this year.

The inquiry, carried out between June 3 and 22, revealed that more buoyant expectations about output in the capital goods sector were offset by a weakening in the intermediate industries.

As might be expected, reports from CBI regional offices indicated that concern about prospects for pay after July was a universal pre-occupation.

The balance of companies reporting that their total order book was below normal was 20 per cent. in June—about the same as for the previous two months. The CBI pointed out that questions about order books were first included in this year's April survey. In the absence of a longer series to aid interpretation the results should be viewed with some caution.

Anecdotal evidence from the regions suggested that there might have been little change in the past two months in the level of industry's investment intentions. But there were signs of an increase in the output of the investment goods industries in manufacturing as earlier intentions came to fruition.

Export trade remained generally better than home, especially consumer-directed trade. But the trend was patchy. In some regions a strong intake of new export orders gave rise to optimism about a continued growth in export deliveries. In others a slackening in the growth of foreign demand was reported and there was general concern that declining export price competitiveness and profitability could be affecting performance before the end of the year.

The CBI said it was difficult to discern any clear trend in movements of stocks or materials.

Some companies, especially in consumer goods industries, were still faced with an increase of finished stocks. Others were already reducing stocks.

Liquidity among manufacturing companies appears to have improved in recent months except in those consumer goods sectors where there has been an involuntary stock increase. Liquidity has also worsened in some distribution and construction companies.

Many ships still laid up from lack of work

BY KEVIN DONE AND ROY ROGERS

MORE THAN 34m. deadweight tonnes of merchant shipping is still laid up in the world because of lack of work. The massive surplus, chiefly accounted for by laid-up tankers, has been reduced over the past year by some 16m. dwt.

Fewer British ships are out of work. Figures published to-day by the General Council of British Shipping show the total of idle U.K. shipping fell by more than half, from 5.5m. dwt., 10 per cent. of the fleet, to 2m. dwt., 4 per cent., at the end of May.

The number of U.K. ships out of work has been reduced from 71 on May 31 last year to 27, of which 24 were tankers, on May 31 this year.

Over-supply still

The total of world shipping in lay-up has fallen in 12 months, though less significantly. About 6 per cent. of the world fleet, 34.6m. dwt., is idle, compared with 9 per cent., 50.6m. dwt., a year earlier.

Foreign flags worst affected by the recession are Liberia, Norway, Sweden and Greece.

Liberia's tonnage in lay-up is about 9.7m. dwt., 91 tankers and 44 dry cargo. Norway has 8.9m. dwt. in lay-up, 69 ships; Sweden 4m. dwt. laid-up, 22 ships; and Greece 3.4m. dwt. laid-up, 108 ships.

Two years ago the world total of laid-up tonnage was 24.5m. dwt. Twelve months later this had more than doubled to 50.6m. dwt., but in the past 12 months it has fallen fairly steadily to 34.6m. dwt.

The world total of laid up and idle tanker tonnage rose by 5.5m. d.w.t. last month, but must increase further before the over-supply situation is reduced enough to affect the depressed rates.

According to the ship brokers John I. Jacobs, a few charterers in the week were seeking cover from the Persian Gulf, and a few fixtures were concluded, but rate levels show little variation from the previous week.

Worldscale 20-21 is more or less the conference rate for VLCCs for Western discharge, with 100,000 units receiving Worldscale 35. In the smaller size a 75,000-tonner received Worldscale 48.5 for discharge in Taiwan and a 35,000-tonner Worldscale 92.5 for a similar discharge.

E. A. Gibson, shipbrokers, reports that Mediterranean and West African inquiry was in no way comparable to the demands of the previous week, and rate levels tended to remain at a low constant level.

The latest fixture reported from West Africa was of a 90,000-tonne cargo being covered at Worldscale 35 for U.S. discharge, which showed a drop from the previous fixture, in which a slightly smaller cargo was fixed at Worldscale 47. The Mediterranean rates had virtually come in line with West Africa loaders.

In the Caribbean activity tended to be somewhat sparse, and there was very little change in rates from the previous period.

The only significant reported business concluded in the week was by American charterers, who concluded three 35-39,000-tonners for three years at an average rate of about $5.50.

An American major fixed a 38,000-tonner for three consecutive voyages westwards from the Persian Gulf at an average of Worldscale 19.3 from July, and Continental charters were reported to have concluded a 310,000-tonner for four voyages from August at Worldscale 22 with their option of two more voyages at Worldscale 23.

Several Carreras brands dearer

CARRERAS ROTHMANS is increasing the price of several cigarette brands to-day, as the battle over tobacco substitutes gets under way.

Peter Stuyvesant and Peter Stuyvesant Extra Mild go up by 2p for 20, to 54p: Rothmans King Size up 2p to 55p: Piccadilly King Size Filter up 2p, to 53p: Consulate up 1p to 56p; and Guards and Cambridge up 2p to 50p. Other brands will go up by 1p or 2p a pack. The move makes the pany's biggest selling King-size brands a few pence dearer than its Peer Special King Size, with tobacco substitute, which sells at 52p for 20.

£10 houses bid

North-East Derbyshire District Council has offered to buy 150 houses from the National Coal Board for £10 each. The between-the-wars homes are for sale at Arkwrights, near Chesterfield. The council put this value on them because, it says, of cost of repairs. The offer is described as ludicrous by the NCB, which sold similar houses at Bolsover for £100.

Steel site deaths

In nine years there have been 398 accidental deaths on British Steel Corporation sites, it was disclosed yesterday. There is a downward trend. There were 246 deaths in the first four years, and 133 in the last five.

Concorde eastbound?

British Airways' Concordes are likely to fly to Singapore before the "battle of New York" is over, perhaps by October or November, said a senior executive.

Whitehouse TV call

The fourth television channel should go to commercial television, Mrs. Mary Whitehouse's National Viewers' and Listeners' Association has urged. In a report it attacks the Annan Committee recommendation that the channel go to a new body called the Open Broadcasting Authority. This, it says, would be outside the conditions imposed on BBC and IBA "not to offend against good taste and public decency."

Accountants poll

Over 29,000 votes have been cast in the English chartered accountants' poll on whether a system of current cost accounting should be compulsory. Opponents of the change, led by two Burgess Hill, Sussex, accountants, have a majority of about 2,000 votes. It seems unlikely this margin will change much when postal voting closes to-day.

Lawyers free

A free legal service on the lines of the National Health Service, for the protection of the basic rights of individuals, has been proposed by the Society of Labour Lawyers in evidence to the Royal Commission on Legal Services published yesterday.

Sun plan thrives

Sun Alliance and London Insurance Group says its scheme for payment of non-life insurance premiums by credit card has been "a tremendous success."

Two stockbrokers foresee squeeze on real incomes

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A CONTINUING double figure rate of price inflation until after the end of next year and a smaller improvement in the current account of the balance of payments are forecast to-day by two leading City stockbrokers.

Wood Mackenzie and Co. and Phillips and Drew agree on the broad direction of the economy, while differing on the size of some of the changes. They envisage a tight squeeze on real incomes this year with only a very small rise in output, but a sharp recovery next year as real incomes and capital expenditure recover.

Phillips and Drew projects a rise in average earnings of about 15 per cent. in the 12 months from the end of this month with retail prices rising by 14½ per cent. during this calendar year against the official forecast of a 12 to 13 per cent. rise and by 11 per cent. next year.

Wood Mackenzie's projections are slightly lower, but they both believe that the likely recovery in real personal disposable incomes next year will sustain a rise in consumer spending in real terms of about 3 per cent. next year (compared with this year) after a fall of between 0.6 per cent. and 0.8 per cent. in 1977.

Wood Mackenzie projects a rise in real Gross Domestic Product of 0.6 per cent. and 3 per cent. in the next two years, compared with increases of 0.8 per cent. and 2.2 per cent. forecast by Phillips and Drew.

The upturn will attract imports of manufactured goods on a sizeable scale, the two brokers say. Wood Mackenzie forecast a rise in the non-oil volume of imports of 12 per cent. next year, compared with an increase in non-oil export volume of 5 per cent.

Although North Sea oil will make a major impact, Wood Mackenzie projects a current account surplus of £900m. next year. This compares with forecast surpluses of £1.27bn. from the National Institute and of £1.6bn. from Phillips and Drew. The respective projections for this year are a surplus of £300m., and, balance and a surplus of £417m.

Wood Mackenzie believes that in the second half of next year Gross Domestic Product will be growing at a rate of 4 per cent. Consequently the problem by then is more likely to be too rapid a rate of growth rather than too little, especially in view of the general political commitment to further reductions in tax.

The intense debate among economists at present about the direction of the economy has also been highlighted by a new analysis from brokers de Zoete and Bevan.

It suggests that the leading economic indicators point to a recovery of demand in the second half of the year, and notes a 2.8 per cent. rise in the monetary base for the month to mid-June which indicates a "more significant rise in money supply growth" than in recent months.

The brokers argue that the economic recovery will gain momentum and they project a sharp rate of increase in Gross Domestic Product next year with annual rates of increase of 4.3 and 6.3 per cent. in the last two quarters next year.

De Zoete and Bevan thinks that if manufacturing industry renews its demand for external finance in the third quarter, as expected "it is difficult to conceive interest rates at present levels for very long without raising expectations that monetary targets will be exceeded."

Ferranti and Rubery Owen may collaborate

By Kenneth Gooding, Industrial Correspondent

ANOTHER IMPORTANT step in the restructuring of Britain's industrial truck industry is almost certain to follow talks currently going on between Rubery Owen and Ferranti.

Officially, the discussions are about the feasibility of the two groups co-operating on the marketing of the giant straddle carriers they both make.

But the most likely outcome is for Ferranti, a National Enterprise Board subsidiary, to acquire Rubery Owen Karritainers, a company set up only a short while ago following the sale of the Conveyancer fork-lift truck business by Rubery Owen.

Karritainers employs about 120 people to make, sell and market Karricon and Karritainer products, large vehicles capable of carrying one or two loaded containers.

The company makes between 30 and 50 machines a year, costing between £60,000 and £140,000 each. Purchase of the business would make Ferranti a significant force at the heavy end of the container handling industry.

At the end of last year, it bought the Clark Equipment interests in this field and set up a new engineering offshoot to handle the manufacturing operations.

Rationalisation

The Clark Container handlers are being made at Ferranti's Hollinwood plant near Manchester, where the group once built power transformers but had run out of work.

Ferranti insists that it does not have the capacity at Hollinwood to build the Karritainers and that it would keep in operation the small Warrington factory, where they are currently made.

However, the Karritainers business fits perfectly the concept that Ferranti Engineering should make large-scale mechanical engineering products. Since the purchase from Clark it has also taken on agricultural equipment business.

Sale of Karritainers would take Rubery Owen out of the materials handling industry. Last April it sold Conveyancer to Coventry Climax, British Leyland Special Products' fork-lift truck company.

Mr. David Owen, Rubery Owen's chairman, made it clear that he was influenced in his decision to sell by the industrial strategy programme at the National Economic Development Office.

It has been suggested at NEDO that the U.K. industry needs some rationalisation so as to produce the bigger manufacturing units and volume of output necessary if the British concerns are to compete on more equal terms with the American and Japanese groups.

Demand for oil products static in first quarter

BY KEVIN DONE

THERE WAS barely any change in demand for petroleum products in the first three months of the year compared with 1976 according to figures released by the Institute of Petroleum.

Deliveries for domestic consumption totalled 24,086,739 tonnes in the first quarter, 0.3 per cent. down on the same period 12 months earlier.

These figures are still far below the level of demand reached immediately before the OPEC oil price increases. In 1973, returns for the same period totalled 30m. tonnes.

Of the major petroleum products, demand for petrol increased by 3.1 per cent. to 3.9m. tonnes in the first quarter of the year. deliveries of gas, diesel and fuel oils rose by 5 per cent. and lubricating oil deliveries rose by 10.9 per cent.

Meanwhile, a report to-day from the Henley Centre for Forecasting predicts that North Sea oil production from the U.K. sector will exceed domestic consumption in 1979.

Mr. James Morrell, director of the centre, says in the July issue of Accountancy, that the value of production will rise from nearly £3bn. this year to as much as £10bn. in 1981, taking into account the expected annual increases in the dollar price of oil after allowing for inflation.

200,000 visitors expected for the farmers' beanfeast

BY CHRISTOPHER PARKES

THE Royal Show, which opens at Stoneleigh near Kenilworth to-day, is expected to attract 200,000 people in the coming week.

The Royal Agricultural Society of England, which organises the farming industry's annual bean feast, said it has cost £650,000 this year. In the past year £300,000 has been spent on improvements to the showground, including new roads, car parks and a bridge over the River Avon.

Business appears to be booming. About 960 trade stands have been booked this year, 40 more than last. The machinery display is bigger than ever, 5,000 farm animals will be on show, and the ground is said to be incapable of holding any more exhibitors.

More than 30 foreign Agricultural Ministers or their representatives have accepted invitations to the show and many foreign buyers are expected.

One Nigerian expert has arrived with the instructions and the budget to equip a veterinary college.

There is a special demonstration area for the home-gardening specialist with an allotment or vegetable patch to supplement the family diet, and highly specialised technical demonstration areas on which the RASE tests new breeds of animal, seeds, fertilisers and techniques.

Coinciding with the opening of the show, the British Agricultural Export Council has announced a 14 per cent. increase in agricultural exports for the first five months of this year.

Mr. John Thorneloe, chief executive of the council, said: "The growth in exports of agricultural chemicals and animal feeds has been particularly impressive—up by more than half so far this year."

Equity Capital offers to help institutions look at companies

BY MARGARET REID

EQUITY CAPITAL for Industry, the City's equity bank, would be willing, if asked, to help other institutional investors to investigate and monitor the performance of certain companies.

This is made clear in its preliminary evidence to Sir Harold Wilson's committee on financial institutions. Equity Capital, was set up with £41m. of institutional backing to channel capital to companies unable readily to raise it from traditional market sources.

ECI, which has now agreed to invest in three companies, including Bond Worth Holdings, has placed a strong accent on the management of the concerns it helps.

It tells the Wilson committee "Often, ECI will expect to appoint a non-executive director to a company's Board, but in all instances it will seek the right to receive information about objectives and periodic operating statements."

The readiness of ECI to make its investigation and monitoring services more widely available to the institutional world is interesting. There was considerable controversy when it was originally suggested, two years ago, that it should have a ginger group role outside the ambit of the companies it was investing in or considering taking holdings in.

Now it makes the more tentative suggestion that "the development of an ability to undertake investigations and monitor subsequent performance could be helpful to the institutions in the sense that, if requested by an institutional Shareholders' Committee or other institutional source, ECI could hold itself available to provide assistance to them."

ECI, whose chairman is Lord Lowden and whose chief executive is Mr. Alan Barrett, says its probable catchment area will be U.K. industrial companies with a current market value of £1m.-£20m. It believes there are about 1,000 such concerns.

Investments by ECI are expected typically to be held for some three to five years and generally to involve taking stakes of 10 to 30 per cent. in a company's capital.

Redundancies for engineers

CLARKE CHAPMAN is to make 48 workers redundant at its Gateshead engineering works.

The company, which recently announced plans to merge with Reyrolle Parsons, blames the cutback on a shortage of orders.

Companies expecting more work

By David Freud, Industrial Staff

NEARLY 43 per cent. of British companies are expecting an increase in workload this summer, according to a survey by the international work contractor Manpower.

However, the increases are expected to be mainly seasonal and short-term, said Mr. Lance Secretan, managing director of the company.

The survey covered expectations for the summer quarter of senior executives in 1,497 leading companies employing more than 1m. workers.

More than 26 per cent. of the companies expected to take on additional staff to handle the extra work, while the remaining companies expecting extra production — some 16 per cent. — said they would cope by putting out more work to sub-contractors.

Mr. Secretan said that "companies are still very cautious about hiring staff."

The exceptions were mechanical and instrumentation engineering companies. They were "vigorously" seeking staff, but could not find enough skilled labour to cope with a marked upswing in orders. Many planned to sub-contract the extra work.

● Executive unemployment will be a major problem in 1984, according to Robert Lee, International Manpower Consultants.

Mr. Robert Arkle, chairman, says in the company's latest survey covering the first half of the year, the high level of executive unemployment this year would be considered one of the golden ages for British management.

FT SURVEY OF CONSUMER CONFIDENCE

Brighter despite inflation worries

BY STUART ALEXANDER

CONFIDENCE about the future continued to improve during June although nearly half of the population is uncertain, according to the latest survey on consumer confidence carried out by the British Market Research Bureau for the Financial Times.

However, the optimists still form only 24 per cent. of the 1,072 adults interviewed and the most significant increase in optimism was among the C2DE men. That was possibly "a reflection of hopes of autumn wage increases."

Rising prices remained the predominant reason for pessimism while unemployment, mentioned by 21 per cent. in January, has now fallen away to only 5 per cent.

The Government continues to be the cause of pessimism given by 17 per cent., while unions and strikes are unchanged on May's 4 per cent.

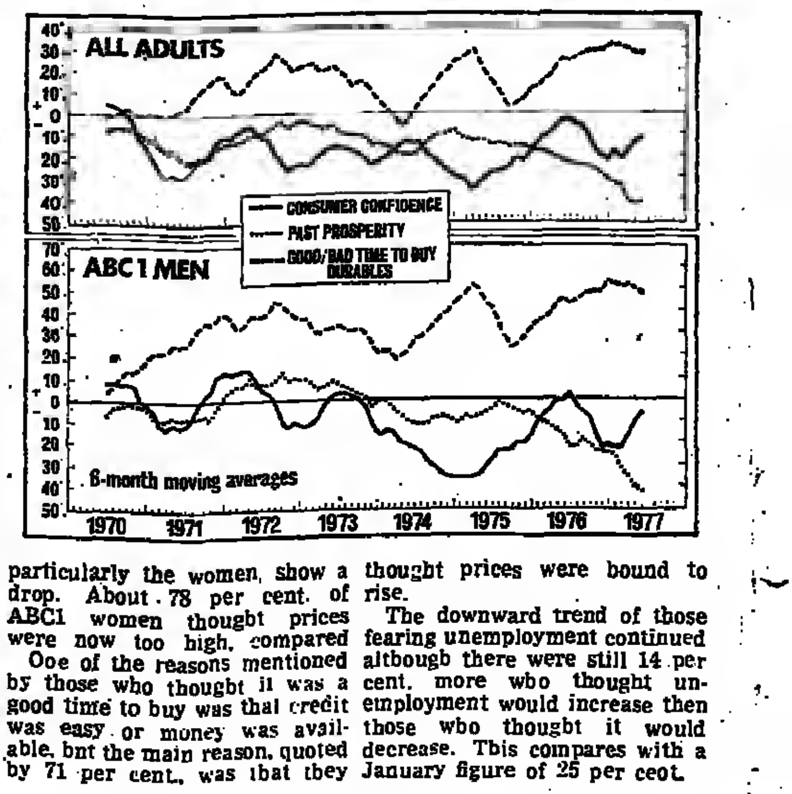
All grades of men and women showed the slight overall improvement in confidence in June but women continued markedly more pessimistic than men, with prices again the influence. While only 30 per cent. of men gave inflation as the reason for their pessimism 54 per cent. of women quoted it as their main reason, with 73 per cent. last month.

Of those who are optimistic about 37 per cent. think "things must improve" while 11 per cent. said the Government was doing its job and 5 per cent. claimed inflation was under control.

Of those that were interviewed 37 per cent. more thought retrospectively they were worse off than a year ago than those who thought they were better off. This compares with 47 per cent. in May.

Again the most significant improvement was among men, although there was a further significant disparity between ABC1 men and C2DE, where the percentage had improved by 20 points.

The number of people who think it is a good time to buy major items for the house also improved slightly with 25 per cent. more being in favour than those against. But the rise has been brought about entirely by the C2DEs, whereas the ABC1s,



particularly the women, show a drop. About 78 per cent. of ABC1 women thought prices were now too high, compared

One of the reasons mentioned by those who thought it was a good time to buy was that credit was easy or money was available, but the main reason, quoted by 71 per cent., was that they thought prices were bound to rise.

The downward trend of those fearing unemployment continued although there were still 14 per cent. more who thought unemployment would increase then those who thought it would decrease. This compares with a January figure of 25 per cent.

LABOUR NEWS

Senior civil servants vote for TUC affiliation

BY NICK GARNETT, LABOUR STAFF

SENIOR CIVIL servants, including most permanent and deputy secretaries are set to see their union affiliated to the TUC, despite strong opposition from some sections of the union.

A secret postal ballot of the 10,000-strong Association of First Division Civil Servants produced a 57 per cent. vote in favour of affiliation.

The ballot followed a resolution at the union's conference earlier this year that the First Division Association should seek affiliation subject to a ballot.

The resolution made it clear that the ballot was held on the "strict understanding" that the union's "political neutrality" is in no way affected. It was based on the union remaining non-political and committed to maintaining a non-political career civil service.

Many senior civil servants have privately expressed doubts about TUC affiliation and this was reflected in the vote. More than 40 per cent. of those voting (the total poll was about 80 per cent. of the 8,000 allowed to vote under the association's rules) wanted the union to be independent.

Mr. Norman Ellis, the union's general secretary, will contact Mr. Len Murray, the TUC's general secretary, and the association could be in a position to join the TUC at this year's congress in September.

The First Division Association includes economists, statisticians, lawyers, tax and school inspectors in its membership which ranges from graduate trainees up to senior administrators. Almost all the 50 permanent secretaries and 150 deputy secretaries are members of the union.

Affiliation to the TUC will allow the union some say in the nuts and bolts of national industrial relations without getting involved in some of the wider ramifications.

The union, for example, has refrained from commenting on whether or not there should be a form of wage restraint to follow Phase Two, but it has expressed opinions on what it would like to see after July. If there is to be a formal arrangement between unions and the Government.

The union, however, has made it plain that it wants a return to the Pay Research Unit for the Civil Service linking their pay to private sector levels and has called for the full implementation of the Boyle Report on top salaries.

The report recommended substantial rises for senior civil servants of up to £3,000 a year in some cases, but has not been fully implemented because of pay curbs.

Maximum rise denied by wage councils

BY OUR LABOUR STAFF

MOST WAGE COUNCILS, which set legal minimum wages for about 3m. of the country's lowest paid workers, have failed to provide wage rises up to the maximum allowed under the past two years of incomes policy, says a report to-day by the Low Pay Unit.

Under Phase One, nine wage councils covering a ½m. workers awarded less than the £6 maximum, says the report.

Half of the 38 councils which have so far settled under Phase Two have failed to implement the "5 per cent. formula" which enables workers earning in excess of £50 per week to receive a wages supplement of more than £2.50.

Seven of the nine councils which gave less than £6 under Phase One have also ignored the opportunity to "top up" the increase under Phase Two provisions.

The total "shortfall" in wages over the two years, says the report, can amount to as much as £4.50 a week, and it accuses the councils of discharging their "responsibilities to workers 18 years and younger" even more haphazardly.

The Low Pay Unit proposes that those wage councils which have not implemented maximum payments allowed under present wage restraint policies should reconvene and top up payments before Phase Two ends on July 31.

24-hr. strike threat to flights

SOME FLIGHTS from major British airports are likely to be delayed to-day with 700 air traffic control assistants due to walk out on a 24-hour strike last night.

The assistants, members of the Civil and Public Services Association, were planning to leave their posts in support of a claim for back-pay. Traffic controllers were working normally.

Most delays were expected during the late morning and midday peak periods.

● All Pan American flights from Heathrow were brought to a standstill yesterday after cleaners and catering staff walked out.

Later the airline's leaders joined the 24-hour dispute.

Shop stewards said the strike was a protest over the airline's "continual breaking" of employment legislation, and the use of student labour.

Two incoming Pan Am flights were diverted to Amsterdam and Gatwick. Passengers landed at Amsterdam were put on flights to England.

Ships officers upset by erosion of differentials

BY OUR LABOUR STAFF

EROSION OF pay differentials between ships officers and ratings caused by Phases One and Two could be more than 30 per cent. by the beginning of next year Mr. Eric Nevin, general secretary of the Merchant Navy and Airline Officers Association, said yesterday.

He based the claim on two assumptions—that his union settles for a £4-a-week Phase Two deal and the National Union of Seamen negotiates a pay settlement of around 15 per cent. in January, when its Phase Two ends.

Mr. Nevin says the result would be a reduction in differentials "far in excess of what the TUC contemplated for any two groups of workers in the earnings bracket of most officers and ratings."

His association is one of several unions holding fire on a Phase Two deal to see what might be won once negotiations end between the Government and the TUC on what should replace Phase Two.

Mr. Nevin suggests that if his union wins a settlement this August of about 20 per cent. based on the retail price index, the reduction in differentials would be about 10 per cent., "which is probably only slightly higher than the sort of figure which was intended by the Government and the TUC."

The association wants engineer officers' pay linked to that of shore-based engineers. It says a rise of nearly £100 a month is needed to bring the basic rate of junior engineer officers into line with labourers in shipbuilding and repairs.

Bid to settle teachers' row

TEACHERS' LEADERS are to meet Mrs. Shirley Williams, Secretary for Education, to-day to try to settle the Oxfordshire teachers' strike, which has already closed 30 schools and partly closed six others. About 14,000 children are affected.

But the move comes with a warning from Mr. Fred Jarvis, the National Union of Teachers' general secretary, that there will be more confrontations with other local authorities unless the union "wins its battle with Oxfordshire."

The dispute is over education spending cuts and the threatened dismissal of 160 full-time teachers.

APPOINTMENTS

Braby Leslie chief executive

Mr. A. H. Atkinson has been appointed chief executive of BRABY LESLIE. He was previously managing director of the mechanical engineering division.

★

Mr. David Wolfe has retired from the Board of AMALGAMATED DISTILLED PRODUCTS and Mr. Charles Mullen has been appointed a director.

★

Miss Audrey Pittom has been appointed a member of the HEALTH AND SAFETY EXECUTIVE, following the retirement of Mr. James Carver.

★

The NATIONAL COAL BOARD has made the following appointments: Mr. J. G. S. Smith, marketing director, Yorkshire Sales Region, succeeding Mr. John Menhennett, who has retired; Mr. G. S. Morton has become director of administration and secretary of NCB (Coal Products) and has been replaced as principal by Dr. Walter Cheetham, NCB director of technical audit; and Mr. R. D. Bodley is now director of wages at national headquarters, London.

★

Mr. Bryan Jefferson has been appointed president of the CONCRETE SOCIETY for 1977-78. He succeeds Mr. John Turner.

★

Mr. M. Whale has been appointed group company secretary of the DEVITT LANGTON & DAWNAY DAY GROUP.

★

Mr. P. B. Happé has been appointed divisional marketing director of STONE-PLATT ELECTRICAL and Mr. R. S. Scott has become divisional sales director. Mr. Happé was previously with PE Consulting Group.

★

Mr. P. W. Stubbs, chief executive of Fassoo UK, has been appointed to the newly-created post of chief executive, FASSON EUROPE, graphic arts division.

★

Mr. Peter Deavin, county surveyor of Norfolk since 1965, has been elected president of the INSTITUTION OF HIGHWAY ENGINEERS for 1977-78.

★

Mr. Malcolm Argent has been appointed director of the Eastern Telecommunications Region of the POST OFFICE. He succeeds Dr. Ena Knight, who has retired.

★

Mr. R. A. Evens has joined the Board of FOSECO MINSEP INTERNATIONAL in the new post of group management development director. He was formerly manager of group intelligence department. Foseco Minsep, and has been succeeded in that position by Mr. A. J. Spiro.

Turriff forms group company for overseas

TURRIFF INTERNATIONAL, which will operate from headquarters at Warwick and cover all overseas activities of the Turriff Group. Its management consists of senior directors and executives from within the group with Mr. W. G. Turriff as chairman, Mr. P. Wormald, acting managing director, Mr. T. McQueen, operations director with special responsibility in Iran, Mr. J. Briggs, sales director, and Mr. P. Taylor, director and company secretary.

★

The AMSTERDAM-ROTTERDAM BANK opens a branch to-day at 29-30 King Street, London, with Mr. M. Sinke as general manager.

★

Mr. B. Richardson, general manager, and Mr. C. E. Hughes, investment manager, have been appointed directors of PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION.

★

Mr. G. N. Mobbs is now chairman of the CHARTERHOUSE GROUP following the retirement of Mr. J. G. Vaughan, who has become honorary president.

★

London-based Mr. Paolo Fresco has been elected vice-president and general manager of the Africa/Middle East business division of GENERAL ELECTRIC COMPANY of the U.S. International and Canadian Group.

★

Mr. Richard Denby has been elected president of the LAW SOCIETY and Mr. W. J. Brown has become vice-president.

★

Mr. David Jackson has resigned as managing director of KEITH & HENDERSON but will continue as a director. Mr. Jackson has formed a new development company, Wilvarley and Hampshire Estates.

★

Mr. R. Munro has been appointed financial controller of CONSOLIDATED GOLD FIELDS.

★

Mr. G. E. Peters has been appointed a director of CHADWICK WEIR AND CO., shipbrokers.

★

Mr. R. G. Martin has been appointed a non-executive director of DUCTILE STEELS. He is chairman and chief executive of Tarmac, chairman of Serck, and a director of Burmah Oil.

★

Mr. F. G. South has been appointed director-designate of the INSTITUTE OF QUANTITY SURVEYORS from September and will take over as director from the beginning of next year.

★

Mr. P. J. F. Green and Mr. J. G. Russell-Taylor have been elected chairman and deputy chairman respectively of the JOINT HULL COMMITTEE.

★

Mr. E. F. Hill has been appointed managing director of BARCLAYS BANK OF GHANA. He was previously general manager, Banco Barclays Antillano N.V., Curacao. Mr. E. N. Norley, formerly assistant general manager, Barclays Bank of Ghana, has been appointed general manager of that company and retains his directorship of the bank.

★

Mr. B. P. Sadler has become chairman of JLS ENGINEERING COMPANY and continues as sales director. Mr. J. E. Smith has retired as chairman.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	British Genius Exhibition (cl. Oct. 30)	Battersea Park, S.W.11
To-day	London Guild of Weavers Exhibition (cl. July 8)	Royal Exchange, E.C.3
July 1—Sept. 4	Silver Jubilee Exhibition	Hyde Park, W.1
July 4—7	Royal Show	Kenilworth
July 11—15	International Film Technology Exbn. & Conf.	Grosvenor House, W.1
July 13—14	BACIE Training Exhibition	Imperial College, S.W.7
July 17—21	Lighting Exhibition	Leeds
July 17—21	Harrogate Gift Fair	Harrogate
July 19—21	Royal Welsh Show	Builth Wells
July 19—21	East of England Agricultural Show	Peterborough
July 24—31	Cycling and International Cycle Show	Harrogate
July 25—30	Brighton Antiques Fair	Brighton
Aug. 4—20	Birmingham Int. Ideal Home Show	Nat. Exbn. Centre, B'ham
Aug. 14—18	British Musical Instrument Trade Fair	Bloomsbury Centre Hotel
Aug. 14—18	International Gifts Fair	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Food and Machinery Exhibition (cl. July 10)	Sao Paulo
Current	Malta Trade Fair (cl. July 15)	Naxxar
July 11—15	National Housewares Exhibition	Chicago
July 25—30	International Engineering Exhibition	Melbourne
Aug. 19—28	International Trade Fair	Malmo
Aug. 21—23	International Men's Fashion Week	Cologne

BUSINESS AND MANAGEMENT CONFERENCES

July 5	World Trade Institute: The Exporting Manufacturer and Purchasing for Profit	World Trade Centre, E.1
July 5	Bradford University: A path to prosperity? The next 3 years	Heaton Mount, Bradford
July 5—6	Brit. Inst. of Management: Rapid Reading	Parker Street, W.C.2
July 6—7	London Chamber of Commerce: Export Strategy	Cafe Royal, W.1
July 6—7	Investment and Property Studies: Contractors' and Sub-contractors' claims against Architects and Civil Engineers	Inn on the Park, W.1
July 11—12	World Trade Institute: Attitude and Cross Cultural Training for Overseas Executives	Farnham, Surrey
July 11—15	Abraxas: Synetics—Innovative Skills	68, Churchway, N.W.1
July 11—22	Financial Times and City University: Accounting and Financial Management for Non-Financial Executives	St. John St., E.C.1
July 13	The Henley Centre for Forecasting: Forecasts for the Common Market Countries	Carlton Tower Hotel, S.W.1
July 13—14	British Association for Commercial and Industrial Education: Improving Industrial Learning	Imperial College, S.W.7
July 14	CBI and Committee for Middle East Trade: Investment in Egypt	21, Tothill St., S.W.1
July 14	Export Consultancy Services: Export Credit Mgmt.	London Hilton, W.1
July 18—22	P-E Consulting Group: Application of Production and Inventory Control	Training Centre, Egham
July 18—22	Coverdale: Practice of Management Principles	Ferndown
July 20	AMR International: Export Finance in Foreign Currencies	Intercontinental Hotel, W.1
July 21	Institute of Marketing: Integration of Sales and Planning	Royal Lancaster Hotel, W.2
July 24—29	Fifth Commonwealth Law Conference	Edinburgh University

This week in Parliament

TO-DAY

Commons—Debate on supply day motion by Scottish National Party and Plaid Cymru on salary of Prime Minister. Passenger Vehicles (Experimental Areas) Bill (Lords), remaining stages.

Lords—Rent Bill, report stage. Protection from Eviction Bill, report stage. Northern Ireland (Emergency Provisions) Bill, committee stage. Licensing (Amendment) Bill, committee stage. Rent Charges Bill, report stage. Unfair Contract Terms Bill, report stage. Insurance Brokers (Registration) Bill, report stage. Water Charges Equalisation Bill, report stage. Short debate on recommendations of the Goodman Committee on Charity Law and Voluntary Organisations.

TO-MORROW

Commons—Merchant Shipping (Safety Convention) Bill (Lords) and Torts (Interference with goods) Bill (Lords), remaining stages. Redundancy Rebates Bill, consideration of any Lords amendments. Motion on Army, Air Force and Naval Discipline (Continuation) Order.

Lords—Debate on report from Select Committee on Practice and Procedure of the House. Presumption of Death (Scotland) Bill, committee stage. Coal Industry Bill, second reading. Hovercraft (Application of Enactments) (Amendment) Order 1977. Short debate on possibility of strengthening Queen's Flight by acquiring a BAC 111 aircraft.

Main Standing Committees—Standing Committee C on Abortion (Amendment) Bill, 10.30 a.m. and 4 p.m. room 9. Standing Committee D on Patents Bill (Lords), 10.30 a.m. and 4.30 p.m., room 11. Standing Committee E on Administration of Justice Bill, 10.30 a.m., room 12.

WEDNESDAY

Commons—European Assembly Elections Bill, second reading.

Lords—Short debate on problems of hospital service and medical centres. Short debate on what action Government proposes on the decisions of Commonwealth Prime Ministers' Conference.

Main Standing Committees—Standing Committee C on Abortion Amendment Bill, 10.30 a.m. and 4 p.m., room 9. Northern Ireland Committee to consider Northern Ireland Gas Industry, 10.30 a.m., room 14.

Select Committees—Nationalised Industries, Subcommittee C. Subject: Regional Water Authorities. Witnesses: Yorkshire Water Authority, Welsh National Water Development Authority. 4 p.m., room 8. European Legislation Committee. Subject: EEC Budget. Witness: Mr. Joel Barnett, Chief Secretary to the Treasury. 4.15 p.m., room 16.

THURSDAY

Commons—European Assembly Elections Bill, second reading. Motions on Ministers' and MPs' pay and secretarial allowance.

Lords—Rent Bill (HL) Third Reading. Protection from Eviction Bill (HL), third reading. Minibus Bill, third reading. Sexual Offences (Scotland) Bill (HL), third reading. Detonators Bill (HL), report stage. Local Authorities (Restoration of Works Powers) Bill, second reading. Northern Ireland (Emergency Provisions) (Continuance) Order 1977. Northern Ireland Act 1974 (Interim Period Extension) Order 1977. New Towns Bill, second reading and committee negatived. Unfair Contract Terms Bill, third reading.

Main Standing Committees—Standing Committee C on Abortion Amendment Bill, 10.30 a.m. and 4 p.m. room 9. Scottish Grand Committee to consider Scottish estimates, 10.30 a.m. room 14.

Select Committees—Race Relations and Immigration. Subject: Government assumptions about immigration. Witnesses: Department of Employment. 4 p.m., room 15.

FRIDAY

Commons—Private Member's Bill, Housing (Homeless Persons) Bill, remaining stages. On adjournment, Sir Geoffrey de Freitas to raise subject of tourism.

Lords—Social Security Benefits Up-rating Order 1977. Child Benefit and Social Security (Fixing and Adjustment of Rates) Amendment Regulations 1977. Supplementary Benefits (Determination of Requirements) Regulations 1977. Town and Country Planning (Amendment) Bill, third reading. Deer Bill (HL), third reading. Detonators Bill (HL), third reading. Army, Air Force and Naval Discipline Acts (Continuation) Order 1977. Short debate on policy towards Southern Africa.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-divisions below are based mainly on last year's timetable.

TODAY

COMPANY MEETING—
Williams (W.) Cardiff. 2.30

BOARD MEETINGS—
Finals:
Assd. Newspapers
Bambergers
Cooper Indgs.
Sutcliffe Speakman
Tex Abrasives
Interims:
Alexanders Discount
Ball (W. W.)
Westminster Property

DIVIDEND & INTEREST PAYMENTS—
Allied Leather Industries 2.21p
Bowring (C. T.) 1.82585p
Central Manufacturing & Trading. 1.31p
City of Oxford Investment Trust. 2.25p
Delta Metal 2.673p
Dickinson Robinson. 3.05p
Downs Surgical. 1.477p
Dutton-Forshaw 1.59p
External Investment Trust. 2.1p
Federated Chemical. 2.001p
Fitzwilton. 1.5p. Do. 8½pcPr. 2.1125p. Do. Ln. 4½pc.
Goonng Consolidated 3.5p
Harrison (James). 2.5p
Lyle Shipping Ord. & A. 2.788p
Messina (Transvaal) 20cts
Needlers 6pcPf. 2.1p
Office & Electronic Machines 2.5p
Peerage of Birmingham. 0.7061p
Pengkalen 1p
Purbeck. 3.48p
Randalls. 3.2036p
Rugby Portland Cement 1.62p. Do. Prg. (N.V.) 1.696p
Rush & Tompkins 1.69p
Scott & Robertson. 0.915p
Scottish Ontario Investment Trust 2.5p
Securities Trust of Scotland 3.4p
Spencer Gears. 0.38p
Tehidy Minerals. 0.506604p
Transatlantic & General Investments. 2.1p
Ulster Television. 1.8p
Vickers. 5.2866p
Warner Estates 1.3p
Wemyss Investments 4p

TO-MORROW

COMPANY MEETINGS—
Capper-Neill Manchester. 11.30
Foster Bros. (Clothing) Solihull. 12.
Getec (Frank G.) 40 High Road, Woodford E. 12.

BOARD MEETINGS—
Finals:
Attock Pet.
Dowding (G. N.)
Eastwood (J. B.)
GEC
Raymcrp
Interims:
Bath and Portland
Jackson (J. and H. B.)
Lincroft Kilgour
Trust Houses Forte

DIVIDEND & INTEREST PAYMENTS—
Annuities 12½pc. 1¾pc. Do. 12½pc. 1¾pc.
Arfon 13¾pcBds.Red. 11/1/78. 6¾pc.
Baird (William). 5.7105p
Bankers' Investment Trust Db. 3pc.
Central 13¾pcBds.Rd. 11/1/78. 6¾pc.
Charnwood 13¾pcBds.Rd. 11/1/78. 6¾pc.
Cheshire 13¾pcBds.Rd. 11/1/78. 6¾pc.
Chester 13¾pcBds.Rd. 11/1/78. 6¾pc.
Commercial Props. Db. 1¾pc.
Croydon 3½pc. 1¾pc.
Cumbernauld 13¾pcBds.Rd. 11/1/78 6¾pc.
Derby 13¾pcBds.Rd. 11/1/78 6¾pc.
Derwentside 13¾pcBds.Rd. 11/1/78. 6¾pc.
Dolund (George). 1.37636p
Edinburgh 13¾pcBds.Rd. 11/1/78 6¾pc.
Flight Refuelling. 1.725p
Forest Heath 13¾pcBds.Rd. 11/1/78. 6¾pc.
Foster Bros. (Clothing). 1.58225p
Gedling 13¾pcBds. 11/1/78 6¾pc.
Hart 13¾pcBds.Rd. 11/1/78 6¾pc.
Hertfordshire 13¾pcBds.Rd. 11/1/78. 6¾pc.
Hill (H. & J.) 0.60125p
Lafarge S.A. F.F. 16.77
Laporte Industries. 3.23931p
Lichfield 13¾pcBds.Rd. 11/1/78 6¾pc.
Malvern 13¾pcBds. Red. 11/1/78. 6¾pc.
Metropolitan Water Board (East London W.W.) Stalnas Oes. Jt Comm 3pcGld Ded. 3pc.
Mid Sussex 13¾pcBds. Red. 11/1/78 6¾pc.
Newport 13¾pcBds. Red. 11/1/78 6¾pc.
North Cornwall 13¾pcBds. Red 11/1/78. 6¾pc.
North Tyneside 13¾pcBds. Red. 11/1/78 6¾pc.
Norwich 13¾pcBds. Red. 11/1/78. 6¾pc.
Rochdale 13¾pcBds Red 11/1/78. 6¾pc.
Southampton 13¾pcBds Red. 11/1/78 6¾pc.
Southwark 13¾pcBds Red. 11/1/78. 6¾pc.
Surrey 13¾pcBds. Red 11/1/78. 6¾pc.
Taunton Deane 13¾pcBds. Red. 11/1/78. 6¾pc.
Telephone Rentals 3.85p
Tesoro Petroleum. 25cts.
Transvaal Consolidated Land and Exploration. 20.03666p
Tweeddale 13¾pcBds. Red 11/1/78 6¾pc.
Williams (John) of Cardiff 0.8p
Worcester 13¾pcBds. Red 11/1/78. 6¾pc

WEDNESDAY, JULY 6

COMPANY MEETINGS—
Ash Spinning Oldham 10.30
Brownlee Glasgow 12
Canadian and Foreign Investment Trust 6 Bishopsgate E.C. 11.30
Cater Ryder. 1 King William Street. E.C. 12.30
Duolvest. 117 Old Broad Street. E.C., 12
Feedex Burstwick 6
Fidelity Radio. Great Eastern Hotel. E.C. 12
Gough Bros. Mitcham Surrey. 11
Heath (C.E.) 14-20 St Mary Axe E.C. 12
London Trust. 40 Bloomsbury Square W.C. 12
Sainsbury (J.) Connaught Rooms W.C. 12
Siemssen Hunter. Great Eastern Hotel E.C. 12
Wills (George) Edworth House. E.C. 11.15

BOARD MEETINGS—
Finals:
Barker and Dobson
Braham Millar
English Card Clothing
Henderson-Kenton
Hensher (Furniture Trades)
Moran (Christopher)
Rothmans Intnl.
Technology Inv. Tst.
Waddington (John)
Interims:
Bakers Household Stores
Winterbottom Tst

DIVIDEND & INTEREST PAYMENTS—
Akroyd and Smithers 5p
Ash Spinning. 2.9375p
Associated Portland Cement Ln. 3½pc.
BBA Group 1.4193p
Bass Charrington 1.631533p
Bolton 11¾pcBds Red 6/7/77 £6.0036
Bowater 5.5p
Bradford 11¾pcBds. Red 6/7/77 £6.0036
Browning-Ferris. 10cts
Calcutta Electric Supply 4.5 (plus int.)
Capper-Neill 1.4157p
Castle Point 11¾pcBds Red. 6/7/77. £6.0036
Cullman (E. Alec) Investments Ln. 4pc.
Cosalt. 1.5534p
Courtaulds 5pcPf. 1.75p. Ln. 2½pc.
Foseco Minsep. 2.4071p
Freemans (London) S.W.8 Deb. 3½pc.
Gates (Frank G.) 1.4125p
General Scottish Trust 2p
Glasgow 11¾pcBds. Red. 6/7/77 £6.0036
Gwynedd 11¾pcBds Red 6/7/77 £6.0036
Hampshire 11¾pcBds. Red. 6/7/77 £6.0036
Hanger Investments Deb. 3½pc.
Harrow 11¾pcBds. Red. 6/7/77. £6.0036
J.B. Holdings. 0.42p

DIVIDENDS & INTEREST PAYMENTS—
Kingston-upon-Hull 11¾pcBds. Red 6/7/77. £6.0036
Linread Deb. 3½pc.
Manchester 11¾pcBds. Red. 6/7/77 £6.0036
Morgan Crucible Deb. 6¼pc. Lns. 3½pc and 2¼pc.
NSS Newsagents 0.7p
North West Leicestershire 11¾pcBds. Red. 6/7/77 £6.0036
Oxford 11¾pcBds. Red 6/7/77. £6.0036
Plantation Holdings 1.0205p
Poole 11¾pcBds. Red. 6/7/77 £6.0036
Pratt (F.) Engineering Ln. 4pc.
Reigate and Banstead 11¾pcBds Red. 6/7/77. £6.0036
St. Helens 11¾pcBds. Red. 6/7/77 £6.0036
Scunthorpe 11¾pcBds. Red. 6/7/77 £6.0036
Sears Holdings. 2.31p
Shepway 11¾pcBds. Red 6/7/77 £6.0036
Stafford 11¾pcBds. Red 6/7/77 £6.0036
Strathclyde 11¾pcBds Red. 6/7/77 £6.0036
Suffolk 11¾pcBds. Red. 6/7/77 £6.0036
Sun Alliance and London Insurance 9.2456p
Sunderland 11¾pcBds Red. 6/7/77 £6.0036
Tarmac Deb. 3½pc.
Tendring 11¾pcBds. Red. 6/7/77 £6.0036
Windsor and Maidenhead 11¾pcBds. Red. 6/7/77. £6.0036

THURSDAY, JULY 7

COMPANY MEETINGS—
Allied Leather Industries, Wellington, Telford. 12
Bowring (C. T.) Tower Place, E.C. 12
Brunner Glasgow 10.30
Dickinson Robinson, 1 Redcliff Street, Bristol 11
Ellis and Goldstein, 4 Great Tower Street, E.C. 11
Fine Art Developments, Burtonupon-Trent 12
Gresham Investment Trust, Bucklersbury House, E.C. 12
Nichols (J.N.) (Vimto), Manchester 11
Pyramid Group, Hilton Hotel, W. 10
Ryburn Hotels, London Park Hotel, S.E. 12

BOARD MEETINGS—
Finals:
Daly Hotel and Gen. Tst.
Graham Wood
Keeling King
Lrish (Daniel) Rubber Estates
Mansons 5½
Siddal Dye Drummond
Willis Fab.
Interims:
Brungarten Pallet
Gough Cooper

DIVIDEND & INTEREST PAYMENTS—
Eversheds Wards 1.5p
Erith and Dover Estates. 0.6775p
Gold Fields 2.5p
Goodwin Hotels. 0.887p
Hastings 1.9p
Henley 2.5p
Inner Lis 1.0p
Singapore (N.C.) 1.65p
Telson Morland (Sons) 1.6250
Tricity Amalgamated Retailers Pf. 4.3pc.
Wait Group 0.96p

FRIDAY, JULY 8

COMPANY MEETINGS—
Barr and Wallace Arnold Trust. Leeds 12
Bruels (John), Nottingham. 12
Ford Motor, Tower Place, Town Hill 12
Gray Construction. 12
Groveland Investments, Estate House, 12
Hotel 1.1. 12.15
Indemnity Property Holdings
Kasser House E.C. 12
Waterglade, 7, 8, New Barnet, Herts. 12

BOARD MEETINGS—
Finals:
Greenwood Bros.
Hagen Tool
Interims:
Tricity Electrical
Trojan
Bonsor Eng.

DIVIDEND & INTEREST PAYMENTS—
ANZ Group Dds. Op. New Ord. 4cts.
Bajeeby Ltd. Reconstruction
Ben & Wallace Arnold Trust Ord. & A. 1.5175p
Beales (John) 1.5014p
Bellair Cosmetics 0.25p
Bollard and Shaw 0.63p
Bremner 2.5p
British Car Auction Group 1.4ps
Caplan Profile 3.9p
Cheltenham 1.0775p
Crampton Chemicals 1.05235p
Duncan Investment Trust 1.6p
Eagle Star 5.5pc Ref. 77-78
Nelson Smart Plant 1.05235p
Ninian Amros 1.285p
Nottingham Group 3.28395p
Jessups (Holdings) 0.5p
Lorraine Ln. 1.0pc
North Midland Construction 0.45p
Osborn (Samuel) 1.6p
Pyramid Group (Publishers) 1.6403p
South African Breweries 7cts. Do. Pris.
Slazenger 0.79p
Thames Investment Trust 0.8p
Ymhoa Fashion 1.6344p

SATURDAY, JULY 9
Interim:
Chile and Bore

DIVIDEND & INTEREST PAYMENTS—
Downiebrae (Holdings) 1.48p
Goldberg (A.) 2.428125p

SUNDAY, JULY 10
DIVIDEND & INTEREST PAYMENTS—
Nairn & Williamson 11½pcBds. Rd.
41/7/2 & 3.43p
Imperial Chemical Ind. 1.5pc. Shoe Ln. 3½pc.
Le Bon Herbert 0.5pc.
London County Bds. 38.90 Shoe.

APPOINTMENTS

BUSINESS EDITOR

Applications are invited for the post of Business Editor of Farmers Weekly, Britain's leading farming paper.

The is a senior position which demands a practical understanding of farm business methods and marketing. A degree or diploma in agriculture, economics or an applied science is an essential qualification. The successful candidate, who is likely to be working in publishing, banking or economics, must be able to write bright informative copy, frequently against the clock, on a wide range of farm finance topics. He or she will be expected to plan and organise the Business programme, liaising with other department heads as necessary, and to establish and maintain close contact with the main agricultural, marketing and supply organisations.

Day-to-day responsibilities include copy-tasting, editing, headline and caption writing, page reading and supervision of market prices service.

Large modern open-plan office and easily accessible London suburb.

IPC Business Press Grade 2.

NUJ salary rates (under negotiation).

Company car on confirmation of appointment.

Write for application form, or telephone Mrs. Lesley A. Dawson at the following address:

Farmers Weekly, Surrey House, 1 Throwley Way, Sutton, Surrey SM1 4QQ. Tel: 01-643 8040, ext. 4135.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE

PARTICULARS OF AN ISSUE OF £400,000,000

VARIABLE RATE TREASURY STOCK, 1982

INTEREST PAYABLE HALF-YEARLY ON 15th JUNE AND 15th DECEMBER

1. This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961, as amended. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

2. The whole of the Stock will be issued to the Bank of England on 1st July 1977.

3. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

4. Subject to the provisions of paragraphs 11 to 13 of this notice, the Stock will be repaid at par on 15th June 1982.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one new penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

INTEREST

6. Interest will be payable half-yearly on 15th June and 15th December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post.

7. The rate of interest will be variable. Each half-yearly payment will be at a rate per £100 of Stock equal to half of the sum of an indicator rate and a margin of ½. The indicator rate will be the daily average over a reference period of Treasury Bill Rate the calculation and period of effectiveness of which is described in the Annex.

8. The reference period for the calculation of the indicator rate for each interest payment except the first will be from the ex-dividend date for the preceding payment up to the relative ex-dividend date. The ex-dividend date is the last day on which transfers can be lodged at the Bank of England for registration entitling new holders to receive the next interest payment.

9. The first interest payment will be made on 15th December 1977 at a rate per £100 of Stock of 167/365ths of the sum of the indicator rate and the margin. The reference period for this payment will be the 130 days from 1st July 1977 up to 8th November 1977 the first ex-dividend date.

10. The rate for each interest payment, expressed as a percentage in pounds sterling to two places of decimals rounded, will be announced by the Bank of England on the business day immediately preceding the relative ex-dividend date.

CONVERSION TO FIXED RATE AND OPTIONAL REDEMPTION

11. If there should be a change in the arrangements for or relating to the issue of Treasury Bills which in the opinion of the Bank of England would or could be detrimental to the interests of stockholders, the rate of interest will cease to be variable and will become fixed. Her Majesty's Treasury shall publish, not later than five business days after the change, a notice in the London Gazette specifying the date on which the change is deemed to have taken place. The fixed rate will take effect from the date of the change and will be the sum of the margin and an indicator rate, for the calculation of which the reference period will be from the ex-dividend date for the preceding interest payment up to the date of the change.

12. In the event of such a change, stockholders will have the right to require Her Majesty's Treasury to redeem their Stock at par and a notice setting out the administrative arrangements will be sent to stockholders by the Bank of England at the appropriate time. Where stockholders exercise this right repayment will be effected within three months from the date of publication of the notice in the London Gazette, and any interest which has accrued will be payable at the same time.

13. If stockholders together holding 80 per cent or more in nominal value of the Stock outstanding require Her Majesty's Treasury to redeem their Stock, Her Majesty's Treasury will have the right to redeem the remaining Stock at par within six months of the date on which the fixed rate took effect subject to their giving notice of their intention in the London Gazette.

GENERAL

14. Copies of this notice may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 9AA, or at any of the branches of the Bank of England or at the Bank of Ireland, PO Box 13, Donegall Place, Belfast BT1 5BX; from Messrs. Mullens & Co., 15 Moorgate, London EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
1st July 1977.

ANNEX

CALCULATION OF TREASURY BILL RATE

Treasury Bills are negotiable instruments of Her Majesty's Treasury issued under the National Loans Fund Act 1968 and the Treasury Bills Act 1877 and the National Loans Act 1968. They are offered for sale by tender by the Bank of England in accordance with the Treasury Bill Regulations 1968.

Under present practice, tenders are received at the Bank of England for 91-day Treasury Bills on the last business day of each week, for bills to be issued in the following week. Tenders must be made by or through a London Banker, Discount House or Broker. Tenders are expressed as a price per £100 nominal value of bills and are accepted in descending order of price (i.e. ascending order of discount) up to the total of tenders which are to be accepted. If tenders at the lowest price exceed the amount of bills to be allotted, a pro rata allotment is made. The accepted prices are published and the average price at which bills are allotted is known as the average rate of discount.

91-day Treasury bills are due and payable in full at the Bank of England on the date after their issue; that is, if the due date is not a business day they are payable on the first business day thereafter.

Treasury Bill Rate is the average rate of discount on 91-day Treasury bills issued pursuant to tenders. Weighted by the nominal value of bills allotted at each price, expressed as a percentage per annum discount rate of the issue, rounded to four decimal places. If allotments are made of bills payable other than on 91 days, such bills will be converted for the purpose of calculating Treasury Bill Rate for 91 days. It is a bill of 91 days on a 365-day year basis, payable on the day of issue.

Treasury Bill Rate is announced by the Bank of England on the afternoon on which allotments of Treasury bills pursuant to tenders are made. The rate announced takes effect on the next business day.

Building and Civil Engineering

£12m. shaft sinking contract

A CONTRACT worth about £12m. for sinking deep shafts for Phillips Petroleum, Nose Rock uranium project near Crown Point, New Mexico, has been won by Cementation West Inc., a subsidiary of Cementation Company of America Inc.

Two shafts, one 16 ft. and the other 18 ft. in diameter are to be sunk to a depth of 3,400 ft. They will both be concrete lined to this depth. The shafts will be driven through impermeable shales and some 1,200 ft of heavily watered sandstone beds.

Included in the contract is the construction of temporary pump stations, two large permanent pump stations, stoping level and main level stations. Work is now getting under way and will take about three years to complete.

Six awards total £2.3m.

ROBERT MARRIOTT, a member of the French Kier Group has been awarded six contracts totalling £2.3m.

The contracts include 22 flats, houses and a bungalow at Wavendon, Milton Keynes, Bucks, for the North British Housing Association; six factory units at Northfield for the Milton Keynes Development Corporation and a sports hall, a caretaker's bungalow and substantial alterations to a school at Rothwell, Northamptonshire.

Other jobs are for construction of Neath Hill County Middle School at Milton Keynes for Buckinghamshire County Council; a two storey office block for United Carriers of Wellingborough and the rehabilitation of two terraces of two and three storey railway cottages at New Bradwell, Milton Keynes, also for the Development Corporation.

Housing on Tyneside

SHEPHERD CONSTRUCTION has been awarded a £2.5m. contract for 244 dwellings for the Borough of South Tyneside.

The dwellings, designed by the borough's chief architect, form phase 2 of the Parkway development at South Shields and comprise mainly two and three bedroom terrace houses arranged in groups of various sizes, with several aged persons bungalows.

Included also is a unit consisting of 19 one person flatlets, 18 two person flatlets and a three-bedroom house.

Awards to H. Camm

WORK IN connection with a water pollution control scheme at Thorne near Doncaster is being undertaken by H. Camm and Company, a subsidiary of Burnett and Hallamshire Holdings.

The contract, worth £1.34m., was awarded by Yorkshire Water Authority (South Eastern Division) and covers pumping stations, tanks, sewers and other sewage works plant.

The company is also to erect four factory units for the English Industrial Estates Corporation at Hellaby Lane, near Rotherham (£553,615) and to carry out sewerage work at Blackburn Meadows, Sheffield for Yorkshire Water Authority (Southern Division) at a cost of £309,263.

A fourth job is for civil engineering works for Redpath Dorman Long at BSC (Chemicals), Port Clarence, Middlesbrough. This is worth £281,432.

Controlling solar gain

SUNLIGHT THROUGH window glazing can make working conditions unbearable if it is uncontrolled — even in the U.K. Many devices are already available to reduce solar gain heating, such as blinds, filters and special glass, most of which are fitted internally.

Now a form of external control screen has been developed by Colt International. Called Koolshade, the system can be fitted externally to any type of window, providing an economical solution to the problem, says the company.

According to Colt, internal heat gain is reduced to less than 10 per cent, direct radiation and glare is eliminated, and outward visibility maintained with little reduction in natural daylight. Other benefits include a reduction in air-conditioning running costs, or if the screen is fitted to a new building, smaller air-conditioning plant can be used.

The screen consists of narrow, fixed, horizontal louvres, made from a bronze alloy and coated with a matt black organic finish for maximum corrosion resistance. The louvres are mounted under tension in an anodised aluminium frame.

Two versions are available—the standard type has 17 louvres to the (vertical) inch for protection against the sun's rays in normal conditions. To control low sun angle conditions there is a version with 23 louvres to the inch.

There are no moving parts, and the screen is designed to withstand wind velocities up to 120 mph.

Details from the maker at New Lane, Havant, Hants., PO9 2LY (07012 6411).

Broad range of work

LATEST CROP of contracts worth £2m. awarded to John Lelliott includes the refurbishment of offices for Christopher Moran et St. Dunstan's Hill, London, E.C.3, at a cost of £400,000 and construction of cinemas for Classic Cinemas in the basement at 14-16 Oxford Street, London, W.1 (£270,000).

Another job for the company is at St. Mary Cray, Kent, for offices and computer suites for Coates Bros. This is worth £300,000. There are about a dozen other small contracts ranging in value from about £60,000 to £180,000.

Bovis stands by in Paris

WORK ON a new Marks and Spencer store in Paris has been started by Bovis Construction. Value of the contract is over £1m.

Operations have begun with the stripping of a store previously owned by a French company in Rosny an eastern suburb. Complete refurbishment is expected by the autumn and the store is due to open in November when it will have a sales floor of 25,000 square feet and another 15,000 square feet of storage and office space.

Bovis appears to be preparing for a lot of activity on behalf of Marks and Spencer in the Paris area. It has set up an office in Belleville and is to undertake contracts under the name SAE/Bovis (SAE is an associate company in Paris).

Marks and Spencer chairman Sir Marcus Sieff said last month that while the original Paris store was being redeveloped to two and a half times its original size, a site had been acquired for another store in the city (the one on which work is now under way) and a third site acquired on the environs with negotiations going on for a fourth.

Bovis is now waiting for the action.

Meanwhile, back in the U.K., Bovis Civil Engineering has been awarded a contract for the first stage of the M11 Cambridge Western By-Pass.

Valued at £8.5m., the contract is for 12.5 kilometres of dual two lane motorway between the villages of Great Chesterford and Trumpington, south of Cambridge. Included are 11 bridges over the by-pass, six under it and a major interchange with the A505 near Duxford.

When this section is complete it will leave a further 8 km stage—still to be let—to connect with the Northern By-Pass which it joins at Girton and which Bovis started on just a year ago.

Renovation contract

WATES Special Works has been awarded three contracts, together worth more than £1.3m. to carry out renovation, refurbishment and redecoration work on flats and offices in London.

At Octavia House, Southern Row, W.10 the Royal Borough of Kensington and Chelsea is spending nearly £617,000 on the renovation and alteration of 68 flats in three pre-war blocks. Work starts to-day with completion scheduled for August 12 next year.

In the City, the London and Manchester Assurance Company has negotiated a £631,000 contract for Wates to refurbish 11/12 Finsbury Square, E.C.2—a five storey office block which overlooks the playing fields of the Honourable Artillery Company.

The third contract—worth just over £60,000 has been negotiated with Stimbury Investments and covers the renovation and redecoration of a penthouse at 18 Grosvenor Square, W.1.

£1m. order for lifts

INSTALLATION of 12 lifts in the Ramses Hilton, a 36-floor hotel being built in Cairo, is to be undertaken by Marryatt and Scott, a member of the Sime Darby Group. Value of the order is over £1m.

Placed by Mobag International (Zurich) on behalf of the Arab International Company for Hotels and Tourism, the contract calls for separate groups of lifts, one of six lifts serving guests, one of four serving staff, a glass-encased hydraulic lift for service to the restaurant plus a further passenger lift in the hotel's low rise section.

The architects are Warner, Burns, Toan and Lunde of New York and the quantity surveyors are Wakeman Trower and Partners of Croydon.

Packaged laboratory

AN interesting development in the provision of complete, self-contained instrumentation for the measurement of dissolved impurities in water has been launched by Electronic Instruments of the George Kent group.

These "packaged" laboratories are housed in an environment-proofed working enclosure of freight container size that can be delivered to the site and be ready for making measurements in a day or so. Any of the current range of the company's instruments can be incorporated, for the measurement of conductivity, pH, dissolved oxygen, silica and several others.

Applications are expected in the examination of power station cooling water, river water (for pollution) and process water in manufacturing industries of several kinds.

A prime reason for the development is that if instruments are supplied "loose" for a system to be constructed and commissioned on site a great deal of control over the quality of the final installation is lost by the company. With the packaged laboratory, all the work can be done at the factory leaving essentially only "plug in and switch on" actions at the site.

First orders, worth over £1m. are for six units for a new power station on the River Benin at Sapele, Nigeria. The only requirements at the site, apart from a flat surface on which the units can be placed by crane, are for the connection of power, water, drainage and sample fluid lines.

The company also believes that the new idea will increase profitability since the need to send numbers of specialist commissioning engineers to overseas sites disappears. They are, in any case, increasingly difficult to recruit.

More about the units, which cost between £40,000 and £60,000 from the company at Hanworth Lane, Chertsey, Surrey KT16 9LF (Chertsey 62671).

Guide for offshore engineers

WHEN THE first offshore structures were built their designers followed standard civil engineering practice and based their work on static loading calculations.

In recent years the importance of dynamic loading has become apparent, and a study of the subject was commissioned by the Underwater Engineering Group of the Construction Industry Research and Information Association (CIRIA).

Entitled "Dynamics of Marine Structures: methods of calculating the dynamic response of fixed structures subject to wave and current action," the report was prepared by Dr. M. G. Hallam, Dr. N. J. Heaf and Dr. L. R. Wootton, of Atkins Research and Development.

The report will assist designers of civil engineering structures for the marine environment. It introduces the basic features of dynamic loading and associated response of both inshore structures such as jetties and light-towers, and offshore structures. Much of the report is also relevant to designers concerned with the dynamic response of land-based structures.

It is not intended to be a detailed design manual for all classes of structures, but will help designers to decide whether or not a more detailed, and inevitably computer-based, dynamic analysis is required. Considerable design information is given, together with valuable references.

The report, or perhaps "guide" would be a better title, should certainly lead to the design of safer and more economic marine structures.

There are 319 pages and 131 figures, and the report costs £36 (£12 to CIRIA members) from the association at 6 Storey's Gate, London SW1P 3AU (01-930 7447).

£¾m. orders for services

ORDERS for heating, plumbing, air conditioning and other services to a total value of about £¾m, have been gained by Barrett and Wright.

Among the orders are air conditioning at Rank Xerox House, Euston Road, London (£280,000), completion of services at Derby Civic Centre (£145,000) and mechanical services at Luton Girls School (£90,000).

Other work is being carried out for the Property Services Agency, Lloyds Bank and the North East Thames Regional Health Authority.

IN BRIEF

● Extensions and alterations to the central police station and courthouse in Clarendon Road, Watford, are to be carried out by Walter Lawrence and Son. Work has begun on the £1m. contract.

● Charcon Tunnels has been awarded a £220,000 order to supply tunnel linings for a trunk sewer at Rothley Valley, Leics. Main contractor for the project is A. Streeter and Company (Northern).

● Willment Bros. is to carry out £241,620 worth of alterations to a warehouse in Windmill Road, Sunbury for Siemens. Another contract worth £221,879 is for extending Langley (Bucks.) automatic telephone exchange.

● Willett Civil Engineering has been awarded a £167,000 contract by the Thames Water Authority for the construction of a pumping station 6.5 metres deep—cofferdam—together with the associated pumping drains and chambers at Ufton Norvet, near Aldermaston (Berks.).

● A 16-storey block of 151 flats and bedsitters for single people is to be built in London Road, Leicester, by John Laing. The £1m. contract has been awarded by the de Montfort Housing Society.

● The Villiers Street arches at the southern end of London's Charing Cross Station are to be underpinned by Fondedile Foundations under a £650,000 contract awarded by British Rail, Southern Region.

£4½m. water and sewage projects

CIVIL engineering work worth more than £4.5m. on water, sewage, and flood defence contracts in Yorkshire, Suffolk, Hereford and Worcester and Essex, has been awarded to Fairclough.

Largest contract, worth £3.6m. is at Huddersfield—Deighton sewage works. Consulting engineers for this Yorkshire Water Authority project are J. D. and D. M. Watson of High Wycombe, Bucks.

Work has already started on the other contracts which include a treatment project at Strensham for the Severn Trent Water Authority (£500,000), pumping station and foul main for Mid Suffolk District Council (£300,000) and flood defence construction work (£180,000) at Grays, Essex.

In Lancashire, work starts soon on £850,000 advance bridge works for the Calder Valley motorway (M65) at Burnley. This contract, for Lancashire County Council, involves construction of Clifton Aqueduct which will carry the Leeds Liverpool Canal over the motorway, and Berracks railway bridge spanning the Accrington Burnley-Colne railway line.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● DATA PROCESSING

Software spearhead takes time to forge

AFTER A number of false starts, Systems Programming, ugly duckling offshoot of Simon Engineering, is coming under the wing of the Insac Data Systems creation of the National Enterprise Board which is intended to make it easier to sell British software and systems expertise outside the U.K., preferably in the North American market, which is still the largest user of data processing techniques in the world.

The amount of involvement is not known but, according to Peter Adams, head of SPL, it will permit him to advance certain software projects of special significance by some three to four years. Whether this results in wares of major interest sold in North America is neither here nor there. In the present climate in computing, with minis growing at an annual rate of 40 per cent and the big computer market (as a whole) stagnating, it is important that SPL has been concentrating on the mini market for some time, to the extent that it has set up its own development section.

It is hard to avoid asking the question whether SPL could emerge in the not too distant future as a separate entity able, because of accumulated expertise, to negotiate on a basis of equality with any other partner in the U.K. software field. It has succeeded in putting forward and selling in many areas a real time programming language (RTL2) competing, on equal terms with the Coral language originated in a major U.K. defence establishment and since then promoted throughout Government establishments and companies wishing to work for the U.K. Government.

To some extent, what happens ultimately to the various software groups which accept the NEB requirement of a 25 per cent holding in exchange for support, is dictated by what is finally decided between the latter and Dataskil—the wholly-owned ICL software subsidiary. But total Government holdings in ICL could be affected by any move through Insac into Dataskil.

This would be not so difficult to resolve were it not for the attitude of Dataskil that, for the time being, Insac can do nothing for it on the U.K. market. And the ICL offshoot is not yet ready to shoulder a major push into North America behind the big ICL machines.

It seems, therefore, that it may be some time before the £9m. allocated to Insac in the first instance is taken up, and much longer before the £20m. total involvement envisaged is required.

● RESEARCH

Will raise the wind at motor plant

IN AUGUST excavation work will commence in the initial stage of the construction of a giant wind tunnel at the General Motors Corporation's Warren Technical Centre, Michigan, U.S.

Due to be operational by 1980, the tunnel is designed to measure aerodynamic forces on full-size cars and light trucks, as well as on scale models of large GM vehicles. GM previously used a Lockheed Aircraft Corp. wind tunnel.

Test area cross-section of the new tunnel will be more than 25 times the frontal area of an average passenger car, minimising flow distortion by walls and ceiling. The test section's 70 foot length assures proper air flow around the vehicle, plus the capability of testing several scale models simultaneously to measure aerodynamic interaction of vehicles on present and future highways.

Believed to be the largest ever made, the fan to produce the air flow in the tunnel has been built in the U.K. by Permali, Bristol Road, Gloucester.

The fan has six blades, each built from 44 laminations of Canadian spruce, and machined to shape. Overall diameter is 42 feet and the fan weighs 24 tons. Designed to operate at 305 rpm, it will be driven by a 4000 hp engine.

Already in the U.S., the fan, which cost £70,000, is due for installation in about nine months.

● TEXTILES

Big steamer for yarns

OVER THE years since the war there has become an established practice in various parts of the textile industry to steam fibres, yarns and fabrics to relax them and with certain yarns to remove "twist liveliness" and so enable them to be woven or knitted.

Out of this has developed an important business in the design and construction of vacuum steam autoclaves.

The machine is loaded with goods to be treated and then a vacuum is created in the steaming chamber before steam is introduced. This ensures that the steam penetrates the goods and that they are given a uniform treatment. Even bobbins of yarn will thus be thoroughly penetrated during the steaming cycle.

What is believed to be the biggest steam autoclave ever built has just been completed by Andrew Engineering (Nottingham), Jennison St., Bulwell, Nottingham NG6 8ER. Tel. 0602 272316. The Autosetter has a chamber of 508 cubic feet and weighs approximately 18 tons. It will be used for treating 1 ton batches of fibre which will be loaded in ¼ ton containers.

With the new machine it will be possible to steam at up to 150 degrees C. This can be reached by selecting multiple steaming cycle requirements. In this way the maximum temperature will be reached step-by-step over three stages and so ensure complete uniformity throughout the fibre batch. In this way it will guarantee that the fibre, once processed, will dye evenly in subsequent treatments.

● FORESTRY

Hydraulic log splitter

DEVELOPED IN the U.S. by Damuser, of Fulton, Missouri, a tractor-mounted hydraulic log-splitter enables one man to split 128 cubic foot of wood in less than one hour.

The device has a steel I-beam frame carrying a 3½-inch diameter hydraulic ram. The ram forces cut logs on to a 9-inch high tapered and relieved wedge to provide a 2-way split. An optional 4-way splitter can be mounted.

Hydraulic power is taken from the tractor circuit, and the ram, which has a rapid return facility, is operated by a single lever. Splitting takes place well away from the operator.

The unit, which weighs 244 lb, is 6 foot 10½ inches long, 2 foot 8½ inches wide and 1 foot 8½ inches high.

It costs £490 from the U.K. agent Oplco (U.K.), 47 Westlode Street, Spalding, Lincs. (0775 5691).

● COMMUNICATIONS

Full control on the M4

WITH THE recent opening of the Pontardulais by-pass, the M4 project has the first major section of motorway in the United Kingdom to come into operation complete with computer-controlled signals and telephones.

The complete network is directed from a single source—the police control office at Bridgend—via a series of "outstations" positioned at intervals along the motorway. These comprise signals and associated control equipment, telephones and a responder—so called because it responds when interrogated by the computer, in this case the Department of Transport's unit at Almondsbury. Signals are set on instructions from the Bridgend control office by means of a typewriter connected to the computer.

The computer checks the police instructions for validity and sets up space and time sequences so that motorists are not suddenly confronted with a signal instruction demanding a manoeuvre. The use of the computer greatly simplifies the task of the police operator in setting the signals, enabling him to attend to other urgent duties in an emergency.

Capital value of the communications project, including the design of the scheme, procurement and installation of equipment, materials and systems testing, final commissioning, training of police and the development of a comprehensive ten year maintenance contract, is estimated at £1.7m.

W. S. Atkins, Woodcote Grove, Ashley Road, Epsom KT18 5BW. 03727 26140.

● POLLUTION

Collects the dust

CHIPPINGS, PARINGS, dust and other debris produced by hand-held power tools can be removed and collected by a portable extraction system developed by Dustcontrol AB, Sweden.

The equipment comprises a separator unit with cyclone and automatic filter, high pressure extractor fan arranged for electric motor or compressed air drive, flexible suction hose and tool attachments.

Both coarse and fine particles are handled by the unit. They are gathered in the lower section and automatically discharged into a transparent collecting bag, which usually requires emptying after two or three days.

Filtered air is discharged to atmosphere away from the working area, and the company claims that the recycled air is 98 per cent clean.

A variety of casings and nozzles are available for fitting to vibratory sanders, grinders, saws, drills, etc. The unit can also be used as a vacuum cleaner to pick up spilt water and oil.

It is marketed in the U.K. by Harboran, Dedmere Road, Marlow, Bucks. (06284 71727).

● METALWORKING

Fine finishes obtained

DRILLING, broaching, thread-cutting, milling, grinding and most standard machining operations may be carried out using electric discharge techniques. The method is said to be particularly suitable for tool and die making.

Any conductive material may be worked, including high strength refractory alloys, such as those used in gas turbines. Other typical applications include drilling fine bore holes in fuel injection nozzles, and trepanning rectangular holes in thin valve sleeves.

As there are almost no cutting forces involved, fine finishes and small rates of metal removal are obtainable, even on flimsy workpieces.

A new range of these machines, built by Easco-Sparcatron, of Michigan, U.S., is now available in the U.K. Work table sizes range from 7 by 13 inches to over 5 by 10 feet, and the range includes a dual head machine. Marketing is by W. E. Norton (Machine Tools), West End Road, High Wycombe, Bucks. (0494 26222).

● OFFICE EQUIPMENT

Plain paper copier

ON THE latest plain paper copier from Nashua Copycat, first copy time is only four seconds, in A3 and A4 sizes. It uses the liquid toner transfer process.

Copying speeds are 28/minute for A4 size originals and 16/minute for A3 size. A lever selects copy size, and the copy paper is supplied from two cassettes. A B4 size cassette is also supplied to cover the range of sizes between B4 and A4.

Once set, the copy counter mechanism will remain constant for however many originals there are in that particular job, unless a different setting is required. When the copier is switched off, the counter returns to "one," preventing the next user wasting copies.

The machine is capable of dual side copying, and has a raised edge platen to protect book binding when copying.

Details from Nashua Copycat, Cory House, Bracknell, Berks., RG12 1ES (0344 54471).

● PLASTICS

Withstands heat and corrosion

ALTHOUGH IT has been available in the U.K. for some 18 months, polyvinylidene fluoride (PVDF), a thermoplastic polymer developed for high duty applications in hostile environments, is still finding new uses.

It was first made in the U.S., but when production began in Europe a different method of polymerisation was used. The European version has a more crystalline structure, which gives it greater strength and better mouldability than its American counterpart.

Made in Belgium by Solvay and Cie., it is marketed as Solef in the U.K. by Laporte Industries, P.O. Box 8, Luton, Beds., LU4 8EW (0582 21212), in a variety of grades depending on the proposed application.

Many of its applications are in hot (90 to 140 deg. C) highly corrosive environments which would cause the collapse of other materials. It is expensive at £6,000-£7,000 a ton—slightly more expensive than PTFE, but stronger and more easily processed, though without low friction properties.

U.K. applications so far include the fabrication of tanks and pipework, and for protective coatings on metal parts. It can be used for the manufacture of pump and valve bodies, particularly for applications where long life and low maintenance and inspection schedules are required.

Two coaters are using Solef—Fothergill and Harvey, Littleborough, Lancs., and Richard Klinger, Croydon, Surrey, and other finishing companies are interested in the coating applications.

Mechanical properties in tension, flexure, torsion or compression are stated to be good, especially compared with other fluorinated polymers. It is understood that work is in progress in a British company evaluating Solef as a binder resin for carbon fibre to make high strength components. These include bearings and items requiring extra rigidity.

● MATERIALS

High tensile steel strip

FINE GRAIN micro-alloyed high tensile steel strip is now available from SKF Steel, North Crawley Road, Newport Pagnell, Bucks. MK16 9HB (0908 610083).

Called Strimek, it is delivered cold rolled, heat treated, bright finished and with sheared edges, in coils or lengths. Thicknesses range from 0.5mm to 3.5mm, and widths from 6 to 350mm.

There are three grades, with tensile strengths of 900, 1100 and 1300 N/sq.mm. Each has individual properties, but overall the range is said to be suitable for punching, bending, drawing and welding.

Suggested applications include cutting blades for mowers and scythes, wear-resistant parts, springs, machine parts, snap fasteners, tools, and similar small high-strength components.

● INSTRUMENTS

Electronic microscope

THE CONCEPTION, design and manufacture of a high technology product that can be successfully sold into the U.S. is hardly an everyday occurrence, particularly in the physics and electronics areas.

It has just been pulled off by VG Microscopes however, a company employing 50 or so people in a small science-based group at East Grinstead in Sussex.

Facing competition from giants such as Siemens, the company has sold three advanced electron microscopes to three American universities in as many months—export business worth $1m. These sales, to MIT and to Illinois and Arizona universities, mean that more business has been done in the U.S. than in the U.K. itself for this particular instrument, the HB5.

The design is the result of a three-year development programme aimed at producing an instrument with ultra-high resolution which at the same time can perform advanced analytical techniques. One requirement was to produce and maintain a clean vacuum at one ten billionth of a torr, which has been achieved.

The microscope uses a field emission gun as the electron source (the electrons are literally stripped from a surface by a very high voltage) instead of a hot source, the main achievement being assured stability and reliability with about one year of life. Nanoampere beam currents are obtained at a spot size of five Angstroms, with accelerating voltages up to 100 kV.

At the specimen, a combination of scanning and transmission technique is used. All the advantages of a transmission instrument are claimed together with the convenience of scanning and the maximisation of the information from the scattered electrons.

A lattice resolution of 3.44 Angstroms is guaranteed and during recent acceptance tests for MIT 1.4 Angstroms was obtained on gold 220 lattice fringes. Magnification range is from 100 to 25m. times. More from the company on East Grinstead 25011.

● PROCESSES

Nitric acid plant pact

SIRYCON HAS signed an agreement with Montedison SpA Milan under which Montedison future commercial grade nitr technology will be used for a acid plants designed and su plied by Sirycon.

Prior to its acquisition by the Bemex Group in May, 1976, Sir con (which was formerly Chemi (CB) had already designed and supplied several nitric ac plants using Chemico technolog The change of ownership h enabled the company to nego ate freely with other proce owners. The Montedison proce is used in some 70 plants arour the world.

Features of Montedison's late process are a simple dual-pre sure system, high overall nitr gen efficiency, high ener recovery, design flexibility a the ability to satisfy the mo recent international atmospher emission standards. Montedis provides full support for t major process guarantees, t gether with pilot plant testin analytical and operator trainin facilities.

Sirycon, Regal House, Twicke ham, Middx., TW1 3QJ.

A better compressor

BROOMWADE SAYS that i stationary reciprocating co pressor range has been r engineered to provide a improved, more flexible a power service—portable or a receiver mounted—which can l tailored to the needs of indiv dual applications.

Intended for the small indu trial user, the garage trade, a similar applications, the ran has dual regulation contr (automatic or continuo running) as standard on a horizontal receiver mount compressors. The control i cludes a starter and allows t user to select the best air de very for the application.

There are three vertic receiver compressor units a eight horizontal receiver co figurations in the range. A displacements available va from 2.58 up to 85cu.ft/minu

Details from CompAir Indu trial, PO Box 7, BroomWed Works, High Wycombe, Buck HP13 5SF (0494 21181).

FT Monthly Survey of Business Opinion

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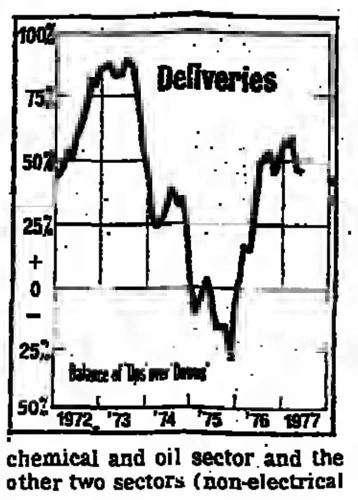
GENERAL OUTLOOK
Confidence maintained



BUSINESS CONFIDENCE has remained at a fairly high level. All three sectors covered this month were rather more optimistic about prospects for the U.K. economy than they had been last February but some companies qualified their answers by referring to the uncertainties on future pay policy.

The degree of optimism compared with four months ago about the specific business prospects of the companies covered has also held up. But there is a contrast between the greater optimism of the chemical and oil sector and the other two sectors (non-electrical engineering and shipping and transport) where the majority of companies have the same degree of optimism as four months ago.

All three sectors continue to expect exports to be higher over the next 12 months compared with the last 12 months: the chemical and oil companies are unanimous on this question. In spite of this optimism, certain engineering companies mention competition, especially in Continental markets, while price competition has been noted by a few companies in the chemical and oil sector.

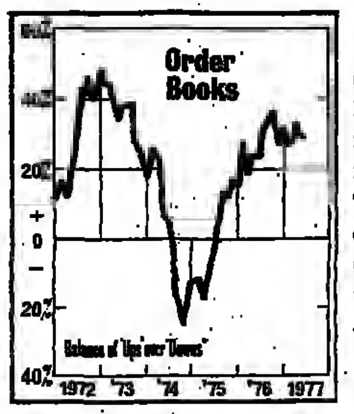
GENERAL BUSINESS SITUATION
4 monthly moving total — June 1977

Are you more or less optimistic about your company's prospects than you were four months ago?	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
More optimistic	39	37	43	36	45	32	20
Neutral	50	52	47	46	55	50	80
Less optimistic	11	11	10	18	—	18	—

EXPORT PROSPECTS (Weighted by exports)
4 monthly moving total — June 1977

Over the next 12 months exports will be:	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Higher	87	87	85	83	91	100	54
Same	8	11	14	13	3	—	—
Lower	4	3	1	—	7	—	18
Don't know	1	—	—	4	—	—	28

ORDERS AND OUTPUT
Slow recovery continues



A SLOW but definite recovery in orders and expected output is confirmed by this month's survey. There has been a slight drop in the number of companies reporting a rising trend of new orders in the past four months, but the net balance is still heavily positive. There has been little change in the associated indicator for order books. In the engineering sector, companies are more inclined than they were in February to expect their order books to remain unchanged rather than increase.

All three sectors covered this month are rather more optimistic than they were in February about the expected rise in production/sales turnover during the next 12 months. The index for the median expected rise has climbed from 6.2 to 6.8 per cent., continuing the trend which started last January. In the chemicals and oil sector, nearly a third of the sample project a rise in production/sales turnover of more than 10 per cent.

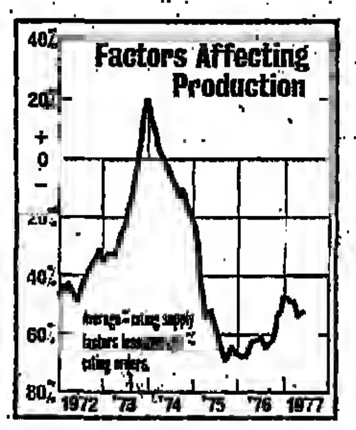
NEW ORDERS
4 monthly moving total — June 1977

The trend of new orders in the last 4 months is:	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Up	55	57	63	61	82	66	31
Same	22	24	24	26	10	15	29
Down	14	14	10	9	8	—	40
No answer	9	5	4	4	—	19	—

PRODUCTION/SALES TURNOVER
4 monthly moving total — June 1977

Those expecting production-sales turnover in the next 12 months to:	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Rise over 20%	2	3	2	2	—	—	1
Rise 15-19%	6	4	2	2	—	19	—
Rise 10-14%	23	20	17	16	12	13	39
Rise 5-9%	26	27	27	24	83	38	20
About the same	37	40	41	46	4	30	40
Fall 5-9%	1	1	1	1	—	—	—
No comment	5	5	10	9	1	—	—

CAPACITY AND STOCKS
Demand still the main check



A SHORTAGE of orders remains the main constraint on production: It is interesting, if not yet conclusive, that last month's increase in the percentage of companies mentioning export order shortages has not been reversed this month but has remained at the higher level. There has been a slight increase in the number of companies mentioning problems with executive and skilled factory staff. Both difficulties in obtaining the right staff and low morale as a result of the pay policy have been noted.

The steady pick-up in activity is reflected in a further rise in the indicator for the number of companies working at planned output levels or above. This index is now higher than at any time since October 1973 but this does not mean the companies are over-stretched as only a tenth of them are operating at above planned output levels.

Moreover, only a minority of companies expect their volume of work in progress on stocks of raw materials and manufactured goods to rise during the next 12 months. The majority of companies expect little change in stock levels.

STOCKS
4 monthly moving total — June 1977

	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Raw materials and components over the next 12 months will:							
Increase	29	27	32	32	22	42	1
Stay about the same	54	57	53	46	25	37	99
Decrease	10	15	14	19	—	4	—
No comment	7	1	1	3	53	17	—
Manufactured goods over the next 12 months will:							
Increase	34	27	33	29	5	58	9
Stay about the same	45	56	55	57	58	23	31
Decrease	3	4	5	6	—	—	—
No comment	18	13	7	8	37	19	70

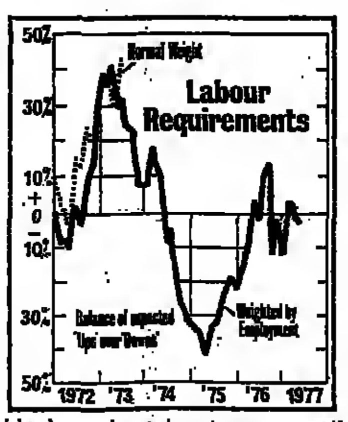
FACTORS CURRENTLY AFFECTING PRODUCTION
4 monthly moving total — June 1977

	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Home orders	81	83	83	83	79	77	49
Export orders	44	44	37	35	63	50	41
Executive staff	26	23	25	18	43	18	—
Skilled factory staff	19	16	21	31	53	19	21
Manual Labour	4	4	3	2	1	1	20
Components	4	3	3	3	3	—	31
Raw materials	13	13	16	18	—	18	29
Production capacity (plant)	6	8	12	9	—	—	—
Finance	2	1	3	2	2	2	—
Others	7	6	4	3	1	1	20
Labour disputes	13	13	12	15	—	19	20
No answer/no factor	6	7	7	5	21	6	49

CAPACITY WORKING
4 monthly moving total — June 1977

	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Above target capacity	10	11	7	5	1	3	—
Planned output	72	62	59	65	95	74	99
Below target capacity	15	23	30	28	4	20	1
No answer	3	4	4	3	—	4	—

INVESTMENT AND LABOUR
Spending plans expand



THE SLOW recovery in investment seems to be gathering momentum. The proportion of companies expecting a rise in the volume of capital expenditure in the next 12 months continues to increase steadily. This upturn in expected spending has not yet significantly affected views about liquidity levels. But there has been a slight rise in the percentage of companies expecting to require outside finance for their capital expenditure.

The prospects for the labour market still, however, appear bleak as there has been a small rise in the net balance of companies expecting a decrease in their number of workers during the next 12 months rather than an increase. The engineering sector is rather less inclined to expect its labour force to fall than it was when last questioned in February. An experimental question has also been asked about the reasons why labour forces are not being increased. More than half those replying have referred to a shortage of orders on a sufficient supply of men at present. Labour legislation and redundancy difficulties have also been mentioned.

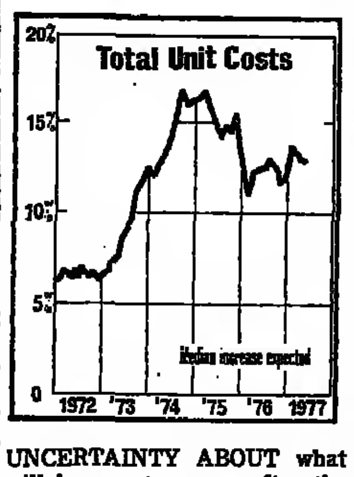
LABOUR REQUIREMENTS (Weighted by employment)
4 monthly moving total — June 1977

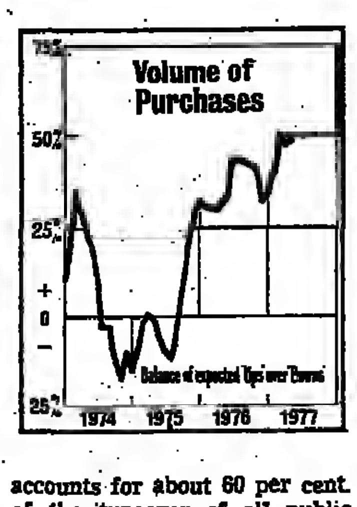
Those expecting their labour force over the next 12 months to:	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Increase	20	23	28	30	16	38	12
Stay about the same	57	53	46	44	64	63	82
Decrease	23	24	26	26	20	—	6

CAPITAL INVESTMENT (Weighted by expenditure)
4 monthly moving total — June 1977

Those expecting capital expenditure over the next 13 months to:	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Increase in volume	59	57	58	53	69	38	41
Increase in value but not in volume	6	6	8	8	6	3	—
Stay about the same	12	10	9	11	4	19	—
Decrease	22	26	24	28	21	40	59
No comment	1	1	1	—	—	—	—

COSTS AND PROFIT MARGINS
Concern about wage rises





UNCERTAINTY ABOUT what will happen to wages after the phase two pay policy finishes at the end of this month has had the result that over a third of the sample have felt unable to provide any wage projections. However, those companies which have replied are taking a more pessimistic view on wages. So there has been a further rise in the median expected increase during the next 12 months; this now stands at 11.6 per cent. compared with less than 10 per cent. only three months ago.

This has not affected expectations about unit costs—possibly because of the offsetting impact of the stability of raw material prices and sterling. So the indicator for the median expected change in unit costs has shown a further slight decline. Similarly, there is slightly increased optimism about the prospects for price inflation with a median expected rise of 13 per cent.

The recovery in profit margins looks set to continue with more than half the sample projecting an improvement in margins during the next 12 months.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives about their companies' situation and prospects.

Three industries and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries Index, which accounts for about 60 per cent. of the turnover of all public industrial companies. The weighting is by market capitalisation save where an alternative method of weighting is cited.

The all-industry figures are four-monthly moving totals, covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month). *Complete tables can be purchased from Taylor Nelson and Associates*

COSTS
4 monthly moving total — June 1977

	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Wages rise by:							
0-4%	—	7	7	12	—	—	—
5-9%	18	27	24	30	4	9	—
10-14%	40	31	37	33	69	52	31
15-19%	4	3	4	6	—	3	20
20-24%	—	—	1	1	—	—	—
No answer	38	32	27	18	37	37	49
Unit cost rise by:							
0-4%	—	3	5	5	—	—	—
5-9%	14	13	9	9	39	35	—
10-14%	55	46	47	43	1	64	70
15-19%	14	20	25	26	55	1	21
20-24%	5	6	6	6	4	—	—
No answer	12	12	8	11	1	—	9

PROFIT MARGINS
4 monthly moving total — June 1977

Those expecting profit margins over the next 13 months to:	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Improve	52	45	39	40	22	86	1
Remain the same	30	37	46	47	74	—	70
Contract	13	13	12	13	4	14	29
No comment	5	5	3	1	—	—	—

Entertainment Guide

CC—These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET

COLISEUM. 836 3161. (Credit Card Booking 240 5258.) LAST 2 WEEKS. NUREYEV FESTIVAL Mon.-Fri. 7.30. Sat. 2.30, 8. Until Sat. LES SYLPHIDES. MARGUERITE AND ARMAND. All seats sold. July 11-16 PIERROT LUNAIRE. THE LESSON, some seats avail. Nureyev will dance at every perf.

COVENT GARDEN. (C.C.) 240 1066. (Gardencharge credit card bkg: 836 6903) THE ROYAL OPERA Tonight, Wed., Sat. at 7: Aida. Thurs. 7.30: The Ice Break (World Premiere). 65 Amphi seats for all perfs. on sale from 10 a.m. on day of perf. MICHAEL TIPPETT EXHIBITION. Covent Garden Gallery, Russell St., W.C.2 (836 1139). Mon.-Sat. 10.30 a.m.-5.30 p.m. (July 7, 11, 14, 21, 28 until 10.30 p.m.). THE ROYAL BALLET In the Big Top, BATTERSEA PARK. Evgs. 7.30 Mats. Wed., Sat. 2.30. Ton't. (sold out), Tues., Wed.: Swan Lake. Thurs. (sold out), Fri., Sat.: La Bayadere. Monotones. The Concert. Few restricted view seats at 50p avail. 1 hour before curtain up at Park.

GLYNDEBOURNE FESTIVAL OPERA. Until Aug 7 with the London Philharmonic Orchestra. Today & Sat. at 5.30 R. Strauss' Die schweigsame Frau. Thurs. at 5.30 Verdi's Falstaff. Fri. & Sun. at 5.30 Mozart's Don Giovanni. Possible ret'ns only. Box Office Glyndebourne, Lewes, Sussex. 0273 812411 and Ibbs and Tillett, 122 Wigmore St., W.1. 01-935 1010.

ROUND HOUSE. 267 2564. July 5-16. BALLET RAMBERT Part John Player Centenary Festival July 5-9 NEW WORK 'CRUEL GARDEN' by Christopher Bruce/Lindsay Kemp A Spectacle scored by the works of Federico Garcia Lorca. July 11-16 works by Morrice, Bruce, Imre. Fler. Mon.-Fri. 7.30. Sats. 8. July 9 Mat. 5.

SADLER'S WELLS THEATRE. Rosebery Avenue. 837 1672. 3 weeks only. D'OYLY CARTE OPERA COMPANY in GILBERT and SULLIVAN Evgs. 7.30. Mat. Weds. & Sats. 2.30 This week THE PIRATES OF PENZANCE Next week new prodn. of IOLANTHE

THEATRES

ADELPHI THEATRE. 01-836 7611. Evgs. 7.30. Mats. Thurs. 3.0. Sats. 4.0. IRENE "LONDON'S BEST NIGHT OUT. SPECTACLE, CAPTIVATING TUNES AND RACY COMEDY." People. IRENE "SLICK, SUMPTUOUS—THE MUSICAL IRENE HAS EVERYTHING." D. Express. IRENE INSTANT CONFIRMED CREDIT CARD BOOKINGS ON 01-836 7611.

ALBERY. 836 3878. CC. Evenings 8. Mats. Thurs. 3. Sats. 5.30 and 8.30. DEBORAH KERR DENIS QUILLEY "...TWO MASTERLY PERFORMANCES" Bernard Levin Sunday Times. CANDIDA By Bernard Shaw "IMPOSSIBLE NOT TO SUCCUMB TO CANDIDA'S SPELL." Daily Mail. Directed by Michael Blakemore.

ALDWYCH. 836 6404. Inf. 836 5332. ROYAL SHAKESPEARE COMPANY in repertoire. Preview tomor. 7.30. Firs. night Wed. 7.00 (no perf. tonight) ROMEO AND JULIET "A production to stir the heart and mind." Daily Mail. With: A MIDSUMMER NIGHT'S DREAM (Thur., Fri.) MUCH ADO ABOUT NOTHING (Sat mat. & eve) Book now for RSC's WAREHOUSE season 836 6808 (see under W). RSC also at Piccadilly Theatre in WILD OATS.

ALMOST FREE THEATRE. 485 6881. "Marvellous." (Times). NANCOCKS LAST HALF HOUR by Heathcote Williams Mondays-Saturdays 8.30 p.m.

AMBASSADORS. 836 1171. Evgs. 8. Sats. 5.30 and 8.30. Mats. Tues. 2.45. Broadway's Hilarious Musical Whodunit SOMETHING'S AFOOT "Infusing the theatre with unalloyed joy. High octane hilarity... perfect family show." S. Ex. "Enormous gaiety. I loved every daft minute of it." O. Mir. "Chockful of genuine comic business." E. Tms. "Exuberance abounds." E. News. Dinner & Top-price Seat £7.50 incl. After theatre entertainment—open till 2 a.m. APHRODITE'S presents THE SANDPIPERS Fabulous Singing Stars from the U.S.A. (Hit Record Guant Ana Mera) Mon. 13th June-Sun. 3rd July. Also music and dancing. £3.00 cover charge plus drinks, food optional extra. (Overlooking Green Park.) Reservations 493 1767-8.

APOLLO. CC 01-437 2663. Evenings 8.0. Mat. Thurs. 3.00. Sat. 5.00 and 8.30. JOHN MILLS, JILL BENNETT, MARGARET COURTENAY, ROSE HILL, RAYMOND HUNTLEY, AMBROSINE PHILPOTTS and ZENA WALKER in TERENCE RATTIGAN'S SEPARATE TABLES Directed by MICHAEL BLAKEMORE.

CAMBRIDGE. CC. 01-836 6056. Mon.-Thur. 8. Fri., Sat. 5.45 and 8.30. IPI TOMBI "PULSATING MUSICAL." Evg. News. 2nd GREAT YEAR Seat Prices £1.50 to £4.50. Dinner, Top-price seats £7.75 incl.

CHICHESTER. 0243 86333. Prev. tonight at 7.0. July 5, 6, 8, 9 at 7.0. July 7 at 2.0 JULIUS CAESAR July 7 at 7.0. July 9 at 2.0 IN ORDER OF APPEARANCE

COMEDY. 01-930 2578. Evenings 8.00. Mats. Thurs. 3.00. Sats. 5.30 and 8.30. Winner of all 1975 Awards. Best Play of the Year. HYWELL BENNETT in SIMON GRAY'S OTHERWISE ENGAGED Directed by Harold Pinter

CRITERION. CC. 930 3216. Evgs. at 8. Sats. 5.30, 8.30. Thurs. 3.0. LESLIE PHILLIPS in SEXTET "ALL ABOARD FOR LAUGHTER." S. Mir "HILARIOUSLY FUNNY." N.o.W.

DRURY LANE. CC. 01-836 8108. Evgs. 8.00 sharp. Matinees Wed. & Sat. 3.0. A CHORUS LINE "VOTED BEST MUSICAL OF 1976"

DUCHESS. 01-836 8243. Evenings 8.0. Friday and Saturdays 6.15 and 9.00. OH! CALCUTTA! "The Nudity is stunning." D. Telegraph. 7th SENSATIONAL YEAR.

DUKE OF YORK'S. 01-836 5122. Evenings 8. Sats. 8.15. Mats. Wed. 3. JANET SUZMAN "Is magnificent." News of the World. IAN BANNEN in "A production of rare raw energy." John Barber. Daily Telegraph. HEDDA GABLER "I have seen Janet Suzman do nothing better." Bernard Levin. Sunday Times. Limited Jubilee Season. Dinner. Top-price seat £7.00 inc.

ELLE et LUI. CC. 01-437 2661. Walker's Court, Brewer Street, W.1. Twice Nightly 8.15 and 10.15 PAUL RAYMOND presents PENETRATION An erotic adventure in French pornography. "Good-looking man and women perform various permutations of the sexual act." Evening News. You may drink and smoke in the auditorium.

FORTUNE. 836 2238. Mon.-Fri. 8.00. Sat. 5.00 and 8.00. Mats. Thurs. 3.00. AGATHA CHRISTIE'S MURDER AT THE VICARAGE Third Great Year!

GARRICK THEATRE. 01-836 4601. Evgs. 8.0. Fri., Sats. 6.00 and 8.40. RICHARD BECKINSALE is "side-splittingly funny." Daily Mail in FUNNY PECULIAR "More good laughs than any other play in London." Observer. LAST WEEKS. MUST END JULY 23.

GLOBE. CC. 01-437 1592. Evenings 8.15 Mat. Wed. 3.00. Sat. 6.00 and 8.40. THE BEST COMEDY OF THE YEAR ANNA MASSEY, PAUL EDDINGTON DONKEY'S YEARS "MICHAEL FRAYN'S delightful comedy." E. Standard. "Two hours of bubbling laughter." Daily Mirror.

GREENWICH. Crooms Hill. S.E.10. 858 7755. Evgs. 7.30. Sat. mat. 2.30. SINGLES a new comedy by John Bowen. Frances De La Tour, Ray Brooks, Gwen Watford.

HAYMARKET. 930 9832. Evenings 7.45. Mat. Wed. 2.30. Sats. 5.00 and 8.15. Googie WITHERS John McCALLUM Christopher CABLE Jenny QUAYLE GILL FRASER THE CIRCLE Somerset Maugham's famous comedy "Faultlessly acted worth going miles to see." Herbert Kretzmer, Daily Express.

HAYMARKET. 930 9832. Tomorrow at 7.30. Royal Thames A Silver Jubilation in poems, prose and songs. JUDI DENCH, JULIAN GLOVER, MARIUS GORING, DENIS QUILLEY and THE RICHARD NICKOX SINGERS

HER MAJESTY'S. 01-930 6606 Opens Tonight 7.0. Subs. Evgs. 8.0. Mat. Wed. 3.0. Sat. 4.30, 8.15. GLYNIS JOHNS KENNETH GRIFFITH HELEN LINDSAY in TERENCE RATTIGAN'S CAUSE CELEBRE

KING'S ROAD THEATRE. 352 7488. Mon. to Th. 9.00. Fri., Sat. 7.30, 9.30. THE ROCKY HORROR SHOW NOW IN ITS 5th ROCKING YEAR

LYRIC THEATRE. CC. 01-437 3686. 8.00. Thurs. 3.00. Sats. 5.30 and 8.30. CELIA JOHNSON RALPH RICHARDSON "GREAT PERFORMANCES." Sun. Tel. in WILLIAM DOUGLAS HOME'S THE KINGFISHER Directed by LINDSAY ANDERSON "A DELIGHT." Daily Telegraph.

MAY FAIR. 01-629 3036. 493 2031. Evs. 8.15. Sat. 6 and 8.40. Pam Gems DUSA, FISH, STAS AND VI "A FUNNY, SPARKLING & VIVACIOUS PLAY." E. Stand. "BRILLIANT." D. Tel.

MERMAID. 248 7656. Food 248 2835. Nightly 8.0. Mat. Wed., Sat. 5.0. "A tuneful torrent of COLE PORTER hits." People. OH, MR. PORTER Written by Benny Green "It should soar happily to the heights." Daily Telegraph. DINNER TICKETS £5.95

NATIONAL THEATRE. CC. 928 2252. OLIVIER (open stage): Ton't. & Tomor. 7.30 Tales from the Vienna Woods by Horvath trans. Christopher Hampton "a triumph." S.T. LYTTELTON (proscenium stage): Ton't. 7.45 State of Revolution by Robert Bolt: Tomor. 7.45 Bedroom Farce. COTTESLOE (studio space): Ton't. 8. Tomo. 7. Wed. & Thur. 3 & 8 Bow Down (music theatre with new Harrison Birtwistle/Tony Harrison work) Many excellent cheap seats all three theatres day of performance. Car park. Restaurant 928 2033.

OPEN AIR, REGENT'S PARK. 486 2431. HENRY V Tonight 7.45. Wed. 2.30. LOVE'S LABOUR'S LOST Tues. 7.45. 200 seats held until 1 hr. before perf. LUNCHTIME to-day ESMOND KNIGHT in AGINCOURT 1.15. All seats 50p. Sun. 8 p.m. MICHAEL CHAPMAN JO-ANNE KELLY.

OLD VIC 928 7616. PROSPECT THEATRE COMPANY Barbara Jefford, John Turner ALL FOR LOVE Tonight 7.30

PALACE. 01-437 6834. JESUS CHRIST SUPERSTAR Mon.-Thurs. 8.00. Fri., Sat. 6.00, 8.40.

PALLADIUM. 437 7373. PREVIEW TONIGHT 8.0. First Night Tomor. 7.30. Subs Evgs. 8.0. Mats. Wed. & Sat. 3. JOHN CURRY with his New Exciting Production THEATRE OF SKATING II Instant Credit Card 01-734 8961

PHOENIX. 01-836 8611. Opens Thur. at 7.0. Subs. evgs. 8. Thurs. and Sats. 5.0 and 8.30. KEITH BAXTER, ESTELLE KOHLER THE RED DEVIL BATTERY SIGN New play by TENNESSEE WILLIAMS "His most powerful play in years." D.M.

PICCADILLY. CC. 437 4506. Evgs. 8.0. Sats. 5.15 and 8.30. Mat. Wed. 3.0. ROYAL SHAKESPEARE COMPANY in raucously funny 18th-century comedy WILD OATS "Pure gold, champagne, moonbeams and caviare." S. Times.

PRINCE OF WALES. 01-930 8681. REJOICE REJOICE, GODSPELL IS MAGNIFICENT. S. Times. Evgs 8.15. Fri. and Sat. 5.30 and 8.45. Seats from £1.

QUEEN'S. CC. 01-734 1166. Evgs. 8. Mats. Wed. 3.00. Sat. 6.00 and 8.40. COLIN BLAKELEY MICHAEL GAMBON ROSEMARY LEACH in ALAN AYCKBOURN'S NEW PLAY JUST BETWEEN OURSELVES "BEST NEW PLAY." J. Barber. D. Tel.

RAYMOND REVUEBAR. CC. 01-734 1593. At 7 p.m., 9 p.m., 11 p.m. (open Suns). PAUL RAYMOND presents THE FESTIVAL OF EROTICA Fully AIR CONDITIONED. You may drink and smoke in the auditorium.

REGENT. 323 2707. Evenings 8.30. Friday and Saturday 7.00 and 9.15. Over 1,000 performances 3rd ECSTATIC YEAR LET MY PEOPLE COME AN ADULT MUSICAL "Never a dull moment." Evening News. 100 tickets held for sale at door.

ROYAL COURT. 730 1745. Evenings 8. Saturdays 5 and 8.30. Max Wall, John Thaw in FAIR SLAUGHTER by Howard Barker "A bitterly funny piece of what we were and what we become." Times. See also Theatre Upstairs.

SAVOY. 836 8888. Evgs. 8. Mat. Wed. 2.30. Sat. 5 and 8. ROBERT MORLEY, JULIAN ORCHARD in BEN TRAVERS BANANA RIDGE "HILARIOUS SUCCESS." D. Tel. Must end August 13

SHAFTESBURY. 836 6596. Ev. 8. Sat. 5, 8. LIBBY MORRIS, PETER REEVES, MAUREEN SCOTT, CLIFTON TODD in EDITH PIAF, JE VOUS AIME. A Musical Tribute. "Memorable." Tin... "English lyrics... first rate." D.M.

SHAW. 01-388 1394. (phone errat) Evenings 8. Saturday 5.15 and 8.30. Mats. Wed. 2.30. Easy Parking. JAMES AUBREY, MAXINE AUDLEY, CONNIE BOOTH, ANGUS MacINNES THE GLASS MENAGERIE by TENNESSEE WILLIAMS "The finest production of this play I have ever seen." Tennessee Williams

STRAND. 01-836 2660. Evenings 8.00. Mat. Thurs. 3.00. Sats. 5.30 and 8.30. NO SEX PLEASE WE'RE BRITISH THE WORLD'S GREATEST LAUGHTER MAKER

ST. GEORGE'S ELIZABETHAN THEATRE. Tufnell Park. Prev. Tonight 7.30. First Night Wed. 7.30 HAMLET Box Office 01-609 1198

TALK OF THE TOWN. CC. 01-734 5051. From 8.15. Dng., Dco. 9.30 Super Revue RAZZLE DAZZLE and at 11 p.m. PETER GORDENO

THEATRE UPSTAIRS. 730 2554. Evgs. 7.30. THE WINTER DANCES by D. Lan.

VAUDEVILLE. CC. 836 9988. Evgs. 8. Sat. 5, 8. Tue. 2.45. KENNETH MORE PATRICIA ROUTLEDGE Moray WATSON Carolyn SEYMOUR in Frederick Lonsdale's ON APPROVAL "Undeniably funny." Felix Barker. "The glitter in the performances."

VICTORIA PALACE. CC. 834 1317. Evenings 8. Wed. and Sat. 6.0 and 8.45. Direct from Las Vegas THE LAS VEGAS FOLLIES '77 A GLITTERING EXOTIC STAGE SPECTACULAR

WAREHOUSE. 01-836 6808. Royal Shakespeare Company small auditorium season begins 10 July, Donmar Theatre Earlham Street, Covent Garden. New plays by Howard Barker and C. P. Taylor, Brecht's SCHWEYK, MACBETH, Bond's BINGO. All seats £1.50. Leaflet available.

WESTMINSTER. 834 0283. Evgs 8. Sats. 5.30 and 8.15. Mats. Wed 3. BARBARA MULLEN JOYCE HERON, JULIAN HOLLOWAY ARSENIC AND OLD LACE The Classic Comedy Thriller.

WHITEHALL. CC. 01-930 6692-7. Mon.-Thur. Evgs. 8.15. Fri. and Sat. 7.00 and 9.00. FIONA RICHMOND, "a credible acting talent." E. Std. Olivia... "a performance of outrageous splendour." O.T. IN THE OUTRAGEOUS COMEDY WOMEN BEHIND BARS. "SWEET WILLIAM" upstaging everything in sight." F.T. and HIGH POWER CAST. Should have Mary Whitehouse rushing to the barricades to protect the purity of the nation.

WINDMILL THEATRE. CC. 437 6312. Twice Nightly at 8.00 and 10.00. PAUL RAYMOND presents RIP OFF THE EROTIC EXPERIENCE OF THE MODERN ERA "Takes to unprecedented limits what is permissible on our stage." Evg. News. You may drink and smoke in the Auditorium.

WYNDHAM'S. 836 3028. Mon.-Fri. 8. Sat. 5.15 and 8.30. Matinee Wed. 3. Maggie Fitzgibbon, Gay Soper, David Firth and Robin Ray in the "BRILLIANT MUSICAL ENTERTAINMENT." People. SIDE BY SIDE BY SONDHEIM "GO TWICE." S. Morley, Punch. "GO THREE TIMES." S. Barnes. N.Y.T.

YOUNG VIC (by Old Vic). 928 6363. Tomor. 7.45 ROMEO & JULIET.

CINEMAS

ABC 1 & 2, Shaftesbury Ave. 836 8861. Sep. Perfs. ALL SEATS BKBLE.
1: A STAR IS BORN (AA). Wk. & Sun. 2.00, 5.10, 8.10.
2: BOUND FOR GLORY (A). Wk. & Sun. 2.00, 5.00, 8.00 (last 3 days).

CURZON, Curzon Street, W.1. 499 3737. ALAIN DELON in LE GANG (AA). English sub-titles. Progs. daily at 2.0 (not Sun.) 4.05, 6.15 and 8.30.

DOMINION, Tott. Crt. Rd. (580 9562) ROCKY (A). Cont. progs. Dly. 2.30, 5.10, 8.0.

LEICESTER SQUARE THEATRE (930 5252). A BRIDGE TOO FAR (A). Sep. progs. Wk. 11.45 a.m., 3.45, 7.45. ALL SEATS BKBLE IN ADVANCE.

ODEON, Leicester Square. (930 6111). "The tension is enormous." TWILIGHT'S LAST GLEAMING (AA). Sep. progs. 1.45, 4.50, 8.00. Seats bkble by post or at Box Office for Mon.-Fri. 8.00 pm and Sat. and Sun. all progs. except late nts. shows.

ODEON, Marble Arch. (723 2011) A BRIDGE TOO FAR (A). Sep. progs. Wk. 3.00, 7.45. ALL SEATS BKBLE IN ADVANCE.

PRINCE CHARLES, Leic. Sq. 437 8181. Royal passions that rocked a Crown. PRIVATE VICES AND PUBLIC VIRTUE (X). Sep. perfs. Dly. (inc. Sun.) 2.45, 6.15, 9.00. Late show Fri. and Sat. 11.45. Seats Bkble Lic'd Bar.

SCENE 1 AND 4. Leic. Sq. (Wardour St.) 439 4470.
SCENE 1. THE STREET WALKER (X). Progs. 1.20, 3.25, 5.25, 7.30, 9.35. Late show Fri. and Sat. 11.35.
SCENE 4. The Original EMMANUELLE (X). Progs. 1.05, 3.40, 6.15, 8.50. Late show Fri. and Sat. 11.25.

STUDIO 1, Oxford Circus. 437 3300. THE MESSAGE (A). English version. Sep. Perfs. Seats bkble. 12.30, 4.15, 8.00. Sun. 4.15, 8.00.

STUDIO 2, Oxford Circus. 437 3300. THE MESSAGE (A). Arabic version. Sep. Perfs. Seats bkble. 12.00, 3.45, 7.30. Sun. 3.45, 7.30.

ART GALLERIES

AGNEW GALLERY, 43 Old Bond St., W.1. 01-629 6176. MASTER PAINTINGS. Until 22 July. Mon.-Fri. 9.30-5.30. Thurs until 7.

DIANA CALVERT. Recent Paintings. The Mall Galleries, The Mall, S.W.1. Mon.-Fr. 10-5. Sats. 10-1. Until 12 July.

REDFERN GALLERY. A MICROCOSM OF THE BATTERSEA JUBILEE SCULPTURE EXHIBITION. Maquettes and Drawings by 48 sculptors. 14 June-6 July. 20 Cork Street, London, W.1.

GARKIN GALLERY. 11, Motcomb St., S.W.1. 01-235 8144. The French painter JEAN HUGO until 16th July.

CLUBS

EVE. 189, Regent Street. 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows 10.45, 12.45, 1.45 and music of Johnny Hawkesworth & Friends.

GARGOYLE. 69 Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW THE GREAT BRITISH STRIP Show at Midnight also 1 a.m. Hostesses. Mon.-Fri. Closed Saturdays. 01-437 6455.

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The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

Employment abroad: **Guy Hawtin** and **David Frend** warn that foreign patterns of work and pay are seldom as attractive as they seem.

The roots of two-way culture shock

PROBABLY THE highest level of "culture shock" the newly-posted executive to an overseas subsidiary has to face comes where it is least expected—in working relations with colleagues and employees. Most people working overseas expect living conditions and local customs to be vastly different from those at home, but few, when they are posted within the same company, anticipate things being radically different at work.

Most people seem to assume that the company will be an island of stability in a sea of change. Certainly national characteristics are expected to be super-imposed on it—the Germans will work harder, the French will be more explosive, and the Italians more happy-go-lucky—but, basically, it will be the same old company, doing the same old things in the same old way.

This seems to be far from the truth. After speaking with expatriates of many nationalities in Frankfurt, it seems that the difference in working methods and relationships is a greater source of friction and misunderstanding than anything else. For instance, a German acquaintance was posted to head an important specialist department of his company's City of London branch. A stickler for an early start in the morning, he found it impossible to goad his senior employees into coming into the office before 10 in the morning or break them of their two-hour lunching habits.

"It took several weeks of harsh words and considerable rancour before he discovered that his minions made a habit of working in the office until eight or nine at night—long after he had departed—clearing up details that he usually dealt with early in the morning. As a good deal of the branch's business was with the U.S., the British methods, he decided, were more effective than his own and he changed his own working hours—much to his wife's annoyance."

The other side of the coin is that British and American managers in West Germany frequently complain that their local staff, while hard-working, are inflexible both in their approach to working hours and to the work itself. Staff may come in at seven or seven-thirty in the morning and observe lunch and coffee breaks punctiliously, but they are off like a shot at three or three-thirty in the afternoon, whatever the work load. Even quite senior employees keep a careful tally of overtime worked and make sure they are either paid for it or get time off in lieu. In Britain or America, they claim, the hours would be worked without either complaint or extra reward as a matter of course.

Americans, whose hire and fire habits at home are swift and perfunctory, find it hard to adjust to Europe's much more strictly codified labour laws, which, some of them claim, makes it near impossible to get rid of inefficient employees with long records of service. In West Germany, for example, they also find the complex web of employees' fringe benefits difficult to swallow.

But if the foreign managers have complaints here, so, frequently, do their German employees. West German companies are strong on organisation and working systems and a frequent complaint is that British companies operating here are particularly weak in these areas.

Way of life

One British manager who has been working here for two years told me: "A number of the German people we have employed have complained that we did not have a comprehensive enough policy manual."

His answer has been to ensure that his company recruitment advertising emphasises the employees must have an understanding and liking for the British way of life. During interviews with prospective employees he explains in detail what the work entails and draws attention to the problems that some employees have had. He explains that they will have to work in a much less formal environment than they have been used to in the past, their colleagues will probably call them by their christian names and expect them to treat them equally informally. They will be expected to act on their own initiative and, in the case of junior employees, shoulder more responsibility than is normal in German companies.

The work itself, he says, will be less structured and policy guidance will be general rather than itemised. They will be expected to make decisions based on a common-sense interpretation of the established policy guidelines and without expecting to operate on the basis that "if it is not in the book, it cannot be done."

He says that in a relatively tight labour market, this approach can add to difficulties but that these methods have certainly cut back on staff turnover.

There are also considerable difficulties on a personal level. Germans complain that Americans and British are excessively informal, while the Americans and British claim that the Germans stand too much on their dignity. When it comes down to it, this usually seems to stem from problems of language.

With the exception of some extreme left-wingers, no German man would dream of addressing an adult who was not a very close friend or relation as "du." Normally, the formal "Sie" is de rigeur in the workplace. But to use the word "Sie" and follow it up with a christian name sounds out of place, if not ridiculous, and so it is by no means unusual over here to find people who have worked together for 20 years still addressing each other formally, not only as "Sie" but as "Herr" or "Frau."

Perhaps it is the formality of German as she is spoke that leads to another familiar complaint: that German employees are very conscious of status. The chief executive of an International company here found that his extremely efficient and conscientious secretary was very unpopular with his Anglo-Saxon secretarial staff, though she had no problems whatsoever with German clerical workers. The Anglo-Saxons accused her of throwing her weight about and of giving herself airs. In fact, she was merely working on the quite reasonable assumption that, as secretary to the chief executive, she was the most senior member of the company's secretarial staff.

Nor is this type of friction confined purely to the more junior staff. A number of American and British executives say they find it difficult to work for a German head of department who does not like being called by his christian name and expects a greater degree of acquiescence among juniors than would be normal in an American or British company.

Misunderstandings also arise from the fringe benefits and perquisites that the German executive expects as of right. One international company here decided to appoint joint chief executives—one German and the other non-German. The suggestion of the non-German chief executive that they should both be issued with modest family cars instead of the customary Mercedes was greeted with dismay by the German.

He insisted on having a Mercedes on the not unreasonable basis that image mattered greatly in the company's dealings with its customers and that what might be regarded as an amiable eccentricity with a foreigner would be viewed in quite another manner when practised by a German. Customers had confidence in a man whose company believed he warranted a Mercedes and his status as joint chief executive of a substantial concern would be undermined without one, he argued. The man got his Mercedes but not without unwittingly creating a certain amount of rancour among foreign colleagues.

A number of international companies try to overcome these difficulties by organising courses not only for the incoming foreigners but also for the German staff as well. However, this practice does not seem to be as widespread as one would expect and an extraordinarily large number of executives are thrown in at the deep end with no help at all. For the company starting up in the country for the first time, it is a question of playing it by ear.

With all the high expenditure that companies are prepared to devote to such things as intensive language courses, it would seem worth while—and potentially profitable—for some enterprising souls in the business education world to develop courses which deal with the human relations side of foreign operations. While it is, perhaps, surprising that despite such problems, most overseas operations appear to operate reasonably smoothly, they would no doubt run the better if the difficulties did not arise in the first place.

G.H.

And now, Herr Schmidt, for the first test . . .

A fatter cheque with a smaller purchase power

EXECUTIVES in Brazil are now the highest paid in the world, in real terms, according to a study by the organisation Employment Conditions Abroad.

Their 1977 report on Inter Country Executive Remuneration Comparison puts Brazil ahead in terms of purchasing power for the two highest of three levels of authority. It ran the U.S. a close second at the lowest level. The report for 1976 did not include a full range of figures on Brazil, although it was close to the top of the table in the categories recorded.

The report, which is on the same lines as last year's, compares executive remuneration in the U.K. with that of national executives in 12 other countries at three responsibility levels expressed in terms of U.K. salary. It shows that the difference in earnings in terms of purchasing power in the U.K. had narrowed slightly this year.

Sterling

With gross remuneration, the gap had widened by about 5 per cent., mainly due to a continuing decline in the value of sterling. However, the gap in net remuneration and in purchasing power had narrowed slightly.

An executive earning £8,200 in the U.K. — the lowest level of the three recorded — was estimated to have £6,068 in purchasing power. The equivalent in Brazil and the U.S. was £11,514 and £11,536 respectively.

At the same authority level gross remuneration was the highest in Switzerland. However, the purchasing power, at £9,487, was behind not only Brazil and the U.S., but Spain and France as well.

At the second level of authority executives in Germany headed the league in terms of gross remuneration, with gross pay of £34,421 compared with £10,900 in the U.K. In terms of purchasing power, however, their position fell to fifth, behind executives in Brazil, France, the U.S. and Spain.

Highest

At the highest level of authority the Swiss were ahead in gross pay, with £48,675 compared to the U.K. £14,500. In purchasing power the Swiss, at £16,437, were well behind the Brazilian figure of £20,[illegible] French of £19,335 and Spanish £16,924.

ECA warned that the comparative advantage of U.K. executives in purchasing power terms could be eroded if inflation in the U.K. continued at the higher-than-average rate of the present.

As last year, the country in which remuneration was consistently below U.K. returns at all three levels was Sweden. Although the gross pay at the lowest level was a seemingly high £19,000, tax of more than 50 per cent. and the high cost of living meant that the salary was worth only £4,784 in purchasing power.

ECA sounded a note of caution in interpreting the figures. It pointed out that there were too many variables to allow exact comparisons to be pressed too far, including such matters of exchange rate changes, changes in average remuneration levels, different companies providing information and changes in income tax and inflation rates.

Pay policy troubles for merit reviews

DIFFICULTIES in rewarding merit and an erosion of differentials between managers and non-managerial employees since the national incomes policy was introduced in 1975 have been experienced by over 80 per cent. of companies which took part in a British Institute of Management survey into the impact of pay policy on pay administration.

The survey covered 233 companies and six categories of staff and it discloses that 50 per cent. experienced the related difficulty of partial erosion of differentials between first-line supervisors and shop-floor employees.

Just under half the companies involved operated job evaluation schemes and they were mainly those employing over 500 people. Of these companies, two-thirds have evaluation schemes using formally established committees for job grading. Below middle management staff or union representatives play an important role in grading procedures, while above this level there is what is described as "management-only membership."

Job ranking

Job ranking is the most prevalent form of evaluation where schemes cover all employees in an organisation and in smaller companies. The second most popular method is a points rating system and after this, job classification is most common.

The survey found that nearly half the companies normally recruit people on the pay scale minimum or below a fixed point in the appropriate scale for the grade. But, it says, this policy is becoming more difficult to apply and 67 per cent. of companies said that since 1975 it has become harder to recruit new staff at rates paid to existing employees in the same grade.

Nearly all companies surveyed said they expected to return to some form of individual merit review once national pay policy allowed. Currently, annual merit reviews are the principal means of salary progression in 78 per cent. of the companies.

Salary Administration, The British Institute of Management, BIM Publications Department, Parker Street, WC2B 5PT, price £7.50 to individual and company members, £15 to others, including postage.

COMPANY NEWS + COMMENT

B & C may change associates treatment

AS A RESULT of the containerisation of the South African trade, British and Commonwealth Shipping Company's holding in Overseas Containers Limited will rise from 7.62 per cent. to some [illegible] per cent., says Sir W. Nicholas Cayzer, chairman of B and C. The change is projected to take place on September 1 this year.

This will mean that the future profits of a major part of B and C's shipping undertaking will be represented by an increased shareholding in OCL, says the chairman, and he goes on: "We shall have to examine what is the most appropriate means of accounting for our share of profits arising from this source."

The shipping side's doubled operating profits of £10m. helped the group to £25.18m. pre-tax profits in 1976, compared with £16.4m., and the dividend is raised from 7.54p to 8.29p net per 50p share (as reported on June 1).

In both shipping and helicopter operations the results show a marked advance on original budgets, enhanced particularly in the case of shipping by profits of £3.39m. arising on the disposal of ships, members are told. Of this figure, £422,000 represents the release of a provision of additional depreciation made in earlier years out of profits on the disposal of ships.

This provision was set up when it appeared that owing to the introduction of containerisation in the South African trade, two ships were likely to be retired from service before the end of their normal lives. As one of the ships has now been sold, subject to delivery, at a price in excess of its book value before deducting the provision, the remainder of the provision amounting to £1.5m. will no longer be required for the purpose for which it was created, says the chairman.

The liner trades held up well, but of the six bulk carriers only one, which is on time-charter, made a contribution to profits, it is stated. The South African Marine Corporation had another successful year to June 30, 1976, and the interim statement covering the half-year to December 31, 1976, indicates continued progress.

OCL made a major step forward in profitability, though the company was careful to point out that substantial profits will be required over the years to generate the cash necessary for replacement of ships, members are told.

The shipstores business in Holland has been beset with difficulties, says the chairman. High operating costs combined with a strong guilder tended to make Rotterdam less competitive and this coincided with a general reduction in shipping activity.

Furthermore, rates of interest increased and, owing to statutory regulations, the size of the staff could not be tailored to fit current conditions. Urgent attention has been and will continue to be given to the management problems involved in restructuring the operation, he adds.

The group's joint auditors point out that the accounts have not been presented in relation to associated companies in the manner required by the relevant SSAP. Information required on the associates has been provided at the foot of the profit and loss account and by way of note, they add.

The directors explain this treatment by saying that the group has, in the ultimate, no control over the distribution of the profits of the associates.

Liquid funds increased during the year by £8.15m., against an increase of £2.81m.

Meeting, Baltic Exchange Chambers, EC, on July 27 at noon.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Alexanders Discount, W. W. Ball, Westminster Property.

Finals—Associated Newspapers, Bambergers, Ropner Holdings, Sutcliffe Speakman, Tex Abrasives.

FUTURE DATES

Interims—	
AC Cars	July 13
Howard Machinery	July 18
Lowe (Robert H.)	July 21
Finals—	
Brotherhood (Peter)	July 19
Christie-Tyler	July 13
Eastwood (J. B.)	July 7
Greene King	July 7
Polymark International	July 12
Stroud Riley Drummond	July 7
Symonds Engineering	July 8
Veltman Engineering	July 7

WILLIAMS AND GLYN'S BANK

Williams and Glyn's Bank has been appointed investment manager to two investment trusts hitherto managed by Cripps Warburg, a Williams and Glyn's subsidiary. For the two trusts, Atlanta Baltimore and Chicago Regional Investment Trust and West Coast and Texas Regional Investment Trust, the change is largely formalisation of a situation that has existed for some time and the same individuals within the bank will continue to manage the funds.

Cripps Warburg ran into financial difficulties during the secondary banking crisis in the City and was rescued by Williams and Glyn's Bank in 1975.

Spending plans at Norcros

A VERY SUBSTANTIAL programme of fixed asset renewals was undertaken last year, says Mr. John V. Sheffield, chairman of Norcros. Expenditures of £6.59m. were completed, and commitments and sanctions exist for a further £2.75m.

The group finished the year to March 31, 1977, all square at £12.08m., and dividends will rise from 3.6p to 3.96p net per 25p share (as reported on June 27). Mr. Sheffield says that the year was one of improving fortunes for most of the group.

Setbacks during the year were largely confined to two companies associated with the consumer market, TRF Pland and Hygena. Action has been taken at Pland to reduce the effect of falling sales and a new management team is performing well, ready for any upturn in their market, says Mr. Sheffield. Hygena had a year of increasing and unrelieved gloom: the company endured the coincidence of a slump in the kitchen unit market, considerable increased competition and management problems.

While there is no sign yet of improved sales, and this applies to the industry, Hygena is shaped to operate profitably at a greatly reduced level of sales. At the same time there is in being a positive programme of product development, improved material procurement and a comprehensive review of productivity, the chairman says.

Working capital increased during the year by £1.65m., compared with an increase of £7.45m.

Meeting, Connaught Rooms, WC, July 25 at noon.

Whatlings well up so far

Pre-tax profit of civil engineers and building contractors, Whatlings, rose from £88,000 to £138,000 in the six months period to March 31, 1977 on turnover little changed at £9.43m. against £8.88m.

The directors state that with the improved results and the much improved liquid position of the company, they are confident that full year's profit will show a further improvement.

An interim dividend of 0.9p net per 25p share is announced compared with the equivalent of 0.8p after a scrip issue and consolidation.

ISSUE NEWS

LSMO offers 8½m. shares at 155p

The prospectus is published to-day for the offer for sale by London and Scottish Marine Oil of 8½m. Ordinary 25p shares at 155p each. Of the offer, 6.6m. shares represent "new" money for the company with the balance coming from existing shareholders.

LSMO was incorporated in April 1971 for the exploration and production of oil and gas principally in the U.K. sector of the North Sea. Its main asset is a 9 per cent. stake in the Ninian Field, where commercial production of oil is scheduled to start in the first half of 1978.

In February 1976, LSMO and Scottish Canadian Oil and Transport (which merged with LSMO in January 1977) raised £73.3m. by the issue of Oil Production Stock and 14 per cent. unsecured Loan Stock 1981-83. In June LSMO arranged bank facilities of £35m. to cover the expected peak financing requirement for its share of the Ninian project.

Independent consultants have estimated that the recoverable oil from Ninian is 1,072,253,000 barrels of proved oil reserves and 146,865,000 barrels of probable oil reserves. Also it is predicted that annual production by 1999 will be 1.05bn. barrels or 1.04bn. barrels if production from the central platform is delayed until September 1978.

Proceeds of the issue, which will raise £9½m. net for the company will be used principally for further exploration, delineation work on existing discoveries and technical surveys during the next few years. In the short term the proceeds will be used for the development of Ninian.

Prior to the commencement of production from Ninian, LSMO is unlikely to have any significant income other than interest from investment of surplus funds. For the year ending December 31, 1977 the directors are forecasting a loss before tax of not more than £8.1m.

It is not practical to make any realistic profits forecast for the group after 1977. However, the document does set out some illustrations based on various assumptions. Assuming an oil price of $14 per barrel rising at 5 per cent. compound per year profits are estimated to peak in 1982 at £27.6m. and fall away to £18.8m. by 1986.

It is estimated that total borrowings of LSMO will reach their peak in the second half of 1978 or first half of 1979. By 1980 the level of borrowings is expected to have decreased significantly as proceeds from oil sales flow through.

The directors consider that it is premature to be specific in the matter of dividend policy, particularly since the first payment is unlikely to occur before 1980.

Following the issue Cawoods Holdings will hold 9.3 per cent. of the shares, National Carbonising 9.3 per cent., Scottish American Investment 3.9 per cent., James Finlay 4.8 per cent., General Accident 4.6 per cent. and Blue Star Line 4.2 per cent.

Morgan Grenfell is the merchant bank and brokers are Cazenove and R. C. Greig.

Chloride prospects

A MAJOR expansion of the electric vehicles market depends on a break-through in the battery field. The directors of Chloride Group believe they may have the answer in the sodium sulphur battery, according to Mr. Michael Edwardes, the chairman, in his annual statement.

The new battery is being developed in Britain by Chloride Silent Power—a company jointly owned with the Electricity Council. Although solid progress has been made, development and testing must continue for a further year or two before they are certain it is a break-through.

The group's Silent Karrier battery delivery vehicle is expected to feature in the fleets being ordered for the Government's "London goes electric" programme. In the U.S. the energy programme has already led to an upsurge of interest in electric vehicles. Work in the battery-electric vehicle field is also going on in the group's companies in Australia, India and Holland, he says.

As reported on June 15, taxable profit for the year to March 31, 1977 advanced to £26.41m. (£19.34m.), on sales of £280.45m. (£215.24m.). The net dividend is raised to 4.6p (3.9951p) per 25p share.

On a current cost basis profit would be reduced to £14m. (£5.6m.).

Return on net assets improved from 20.7 per cent. to 21.7 and net margins were also better. At year end working capital was up £21.1m. (£5.78m.) and future capital spending totalled £20.3m. (£22.58m.) of which £10.74m. (£11.12m.) had been authorised but not contracted.

The auditors, Cooper and Lybrand, note that associated companies whose accounts had not been audited contributed 8 per cent. (4 per cent.) of profit.

All three world regions of the group performed well with margins and return on assets higher despite only a small increase in volume, Mr. Edwardes comments.

The directors are proposing to extend employees involvement in the company through a scheme involving the issue of participating loan stock attracting a high level of interest directly linked to the dividend paid on Ordinary shares.

Meeting, Hilton Hotel, W., on July 28, at 11 a.m.

TURRIFF

Turriff Corporation has formed Turriff International, which will be responsible for all the overseas activities of the Turriff Group and will operate from Warwick.

SIMCO MONEY FUNDS
(Saturn Investment Management Co. Ltd.)

Rates for deposits of £1,000 and upwards for w/e 3.7.77.

	% p.a.
7-day Fund	
Mon.	6.790
Tues.	6.790
Wed.	6.796
Thur.	6.791
Fri./Sun.	6.758
3-Month Fund	
Wed.	7.125

Hunting Gibson—no U.K. deferred tax

A decision by the directors of Hunting Gibson not to provide for U.K. deferred tax has received the approval of auditors Price Waterhouse and Company. According to the accounts for 1976 the total tax charge, stated at £0.55m. against £0.75m., would have been increased by £1.14m. compared with £0.43m. without the charge.

As reported on June 4, taxable profit for the year was ahead at £3.3m. (£2.01m.) on turnover of £138.15m. (£123.58m.). The net dividend is raised to 10.7305p (9.755p) per £1 share. Mr. Clive Hunting, the chairman, has warned members that there is little possibility of the current year's profit coming up to the level of 1976.

At year end net liquid funds were up £2.12m. (£1.2m.) and cash at bank and in hand stood at £0.52m. (£0.12m.) and bank overdrafts were higher at £1.3m. (£0.75m.).

Deferred tax for which no provision is made amounted, at December 31, 1976, to £3.8m. (£2.54m.).

Meeting, Avenfield House, Park Lane, W., July 25 at 12.30 p.m.

● comment

The interesting facet of the Hunting Gibson accounts is the way the debt:equity ratio has been brought down. At the end of 1975 there were loans of £8.78m. and cash amounting to £1.28m., so that net debt almost matched shareholders' funds of £7.73m. But both sides of the equation have been changed: shareholders' funds have been transformed to the tune of £2.2m. of deferred tax brought into reserves (in line with the new accounting practice) and there is retained profit of a further £2.67m., to bring the total up to £12.89m., at end 1976. While loans have been increased by a net £1m. (mainly in the form of a new short-term bank loan), the cash in the accounts has risen by £2.6m. to just under £4m. The net result is a gearing ratio of 45 per cent. With its more comfortable balance sheet, Hunting Gibson is in better shape to weather the depression in tanker rates. After more than doubling this year, the shares are now a fifth of the 1977 peak and at 247p the yield is 6.5 per cent.

VOKEWORTH

Valid acceptances of the offers by VOKEWORTH SECURITIES for the Ordinary shares of TREMLETTS and 1,100,017 4.9 per cent. (formerly 7 per cent.) Preference Shares of Melbray Group were received on July 1, as to 2,703,825 Ordinary shares (representing some 90.65 per cent.) and 956,340 Preference shares (86.94 per cent.).

The offers have been declared unconditional as to acceptances and all the other conditions have also been fulfilled. They will be extended indefinitely.

RTD Grp. upturn in second half

AFTER the first-half downturn pre-tax profit of RTD Group went ahead in the second half from £0.12m. to £0.18m. to end the year to February 28, 1977, up from £0.26m. to £0.3m. The result is £0.17m. off the 1974/5 record.

Stated earnings per 20p share are up from 5.1p to 5.9p—no final dividend is being paid (same) thus the year's payment comes to 1p gross (2.8p), absorbing £14,467.

Group turnover dropped from £5.7m. to £5.05m.—subsidiaries continuing contributed £4m. in 1975/6.

The major extraordinary item arises from the write down of the group's investment in Swan Ryan by £0.11m. following an independent valuation. Total extraordinary debits amount to £0.12m. (£0.26m.) — and tax £0.18m. (£0.14m.).

Metal finishing sales show some recovery with ground gained in new markets contributing towards offsetting the textile industry contraction of demand, say the directors. In particular, export markets for car roof and boot racks shows potential for the future.

The generator business continues to improve and its production and sale organisations are being developed and expanded.

Despite a satisfactory profit level at present the difficulties facing the motor cycle components business, foreshadowed in last year's statement, will come increasingly to bear on it. These difficulties can be ameliorated by importing Japanese components directly, and concentrating on products suitable for all brands of motor cycle and where possible such action has been taken. However, the group's historic specialisation is deeply in British motor cycles and its market strength must inevitably be affected.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Alyn and Deeside (0244 531212)	11¾	½-year	100	4-6
Barking (01-592 4500)	12¼	½-year	5,000	4-6
Barnsley (0226 203232)	12¼	½-year	250	4-7
Erewash (0602 303361)	12½	½-year	5,000	4
Greenwich (01-854 8888)	12¼	½-year	1,000	4-7
Greenwich (01-854 8888)	12¼	½-year	5,000	4-7
Liverpool (051 227 3911)	11½	½-year	500	3-4
Liverpool (051 227 3911)	12½	½-year	500	5-7
Poole (02013 5151)	11½	½-year	500	3-5
Poole (02013 5151)	12	½-year	500	6-7
Redbridge (01-478 3020)	12	½-year	200	4-7
Sefton (051 922 4040)	11½	½-year	2,000	3-5
Thurrock (0375 5122)	11¾	½-year	300	4
Thurrock (0375 5122)	12½	½-year	300	5-7
Wandsworth (01-874 6464)	12½	½-year	5,000	5-7
Wandsworth (01-874 6464)	12½	½-year	1,000	5-7
Worcester (0905 23471)	12	½-year	1,000	4-10

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross half-yearly. Rates for deposits received no later than 8.7.77.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	10¾	11	11¼	11½	11¾	12	12¼	12½

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

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Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*Albfx Inds.	July 14	Final 1.7382
*Alexanders Discount	July 4	Int. 3.5
*Associated Newspapers	July 4	Final 3.3
BAT Inds.	July 28	Sec. int. 3.7
*Bath and Portland	July 5	Int. 1.25
*Birmid Qualc'st	July 13	Int. 1.225
*British Sugar	July 20	Int. 4.645
*Bulmer (H. P.)	July 13	Final 1.9565
*Butterfield Harvey	July 13	Final 1.0348
Concrete	July 7	Final 1.846
*Daily Mail and Gen.	July 7	Final 6.819
Davy Int.	July 22	Final 4.098
*Distillers	July 14	Final 3.8485
*Dowty Group	July 21	Final 2.71
*Fitch Lovell	July 27	Final 2.2549
FMC	July 20	Final 2.5
Fodens	July 14	Final 0.65
*GEC	July 5	Final 1.619
*Gestetner	July 12	Int. 1.75
GUS	July 23	Final 3.72
Gross Cash Registers	May 14	Final nil
*Haslemere Estates	July 21	Final 1.76947
Head Wrightson	May 18	Final 1.766
*Imperial Group	July 14	Inrecag Int. 1.75
*Inchcape	July 29	Int. 4.825
Int. Timber	July 14	Final 3.39
Inveresk	July 13	Int. 1.35
Johnson-Richard (H. & R.) Tiles	July 19	Final 3.457
Judge Intnl.	May 14	Int. nil
*Kennins Motor	July 12	Int. 1.3
Land and House Prop.	June 17	Int. 1.725
Lindustries	July 21	Final 2.8
*Lloyds Bank	July 22	Int. 3.715
Manbre and Garton	June 17	Int. 1.09
Mercury Secs.	July 6	Final 2.8348
*Meyer (Mont. L.)	July 12	Final 2.85
*Midland Bank	July 22	Int. 5
*NatWest Bank	July 26	Int. 4.6855
Nacpend	July 23	Final 2.0937
Ozalid	June 19	Final 3.13
Peachey Prop.	July 19	Int. 0.73125
Rand Selection	June 18	Int. 30 cents
*Rank Organisation	July 13	Int. 2.1875
*Redland	July 21	Final 1.82795
*Rothmans Int.	July 6	Final 1.0379
Rothschild Inv. Tst.	July 19	Final 6.825
*Scot. and Newcastle Brews.	July 13	Final 1.775
Siebe Gorman	July 15	Final 2.75
*Stenhouse Hldg.	July 22	Int. 1.5
Stock Conversion	July 1	Final 0.973
*Thorn Elec.	July 6	Final 3.982
*Trust Houses Forte	July 5	Int. 1.75
Unigate	July 28	Final 1.6718
Union Discount	July 21	Int. 7
Vaux Breweries	June 28	Final 10.128
Weyburn Eng.	June 16	Int. 3.091
Whitbread	June 11	Final 3.2696
*Wellman Eng.	July 7	Final 1
Wilkinson Match	July 13	Final 4.41065

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments. Effective from July 2

Years	Quota loans repaid by EIP†	by ER‡	at maturity	Non-quota loans A* repaid by EIP†	by ER‡	at maturity
Up to 5	9⅞	9⅞	10⅞	12⅞	12½	13⅛
Over 5, up to 10	10¾	11	12⅝	13⅛	13½	13⅞
Over 10, up to 15	12½	12⅞	13½	13⅞	13⅞	14¼
Over 15, up to 25	13	13⅞	13⅞	14	14⅛	14¼
Over 25	13¼	13⅝	13⅞	14⅛	14⅛	14⅜

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −	Div. Amount	Times covered	Gross Yield	P/E Ratio
845	300	—	393	362	BP (RLA) £3 pd.	375	−3	q21.77	1.4	3.3	32.2
a80	F.P.	—	79	70½	City Hotels 20p	79	+2	F3.9	—	7.6	7.3
a89	F.P.	—	99	89	Forward Tech. Inds 50p	91	−1	b6.7	1.1	11.3	12.2
♦	F.P.	—	92	89	LWT "A"	89	......	b6.09	2.6	10.5	3.6

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price	+ or −
£100	F.P.	—	99	98	Agric. Mortgage 10½% 1979	98½	......
£100	F.P.	—	£100	£99½	Agric. Mortgage 12½% 1980	£99⅞	−⅛
£97½	£10	—	9	8⅝	Birmingham (City of) 12½% Red. 1985	8⅝	......
**	£10	—	10¼	10	East Surrey Water 8% Red Pref. 1982	10¼	+¼
£100	F.P.	—	99	97½	Folkestone & Dist. Water 12½% Deb. 1984	97½	......
**	F.P.	—	98¼	98½	Mid Southern Water 8% Pref. 1983	98½	......
**	£25	—	£25½	£25¼	Newcastle & Gateshead Water 12½% Red. Db. 1984	£25¼	+¼
c$100	F.P.	—	100½	98	Bank Overseas Hldgs 9½% Gtd. Notes '82	100½	......
$100	F.P.	—	$101¼	$98½	Reed Intl. 9% Bonds 1987	$101¼	......
£99	£25	1/7	25½	25¼	Rickmansworth Water 13% Deb. 1984	25½	......
£100	F.P.	—	98¼	98¼	Standard Chartered Floating Rate Cap. '84	98½	......
£99	£50	12/8	49½	45¾	Stockport (Met. Borough of) 12¼% Red. '85	45½	......
£99¼	£10	28/10	10½	6	Sunderland 12¼% Red. '84	6½	−¼
**	F.P.	22/7	104	103½	Sutton District Water 9½% Red. Pref. '82	103½	......
$99.5	F.P.	—	102¼	99¼	United Biscuit (UK) 9% Bds. 1989	102	......
[illegible]	[illegible]	22/7	106	[illegible]	[illegible] Red. Pref. [illegible]	[illegible]	......

"RIGHTS" OFFERS

Issue Price p	Amount paid up	Latest Renunc. Date †	Latest Renunc. Date ‡	1977 High	1977 Low	Stock	Closing Prices p	+ or −
110	nil	11/7	10/8	5pm	3pm	Allied Retailers	5½pm	......
80	nil	—	—	25½pm	24½pm	Alpine Soft Drinks	26½pm	......
70	F.P.	20/6	22/7	38	36	Amalgamated Power	36	−2
80	F.P.	23/6	5/8	85	81	Aurora Hldgs.	81	......
23	nil	—	—	5¼pm	4¼pm	B.S.G. Intnl.	4½pm	+¼
108	nil	—	—	16pm	9pm	Baird (Wm.)	15pm	−1
200	nil	6/7	5/8	50pm	14pm	Bell (A.)	25pm	......
48	F.P.	17/6	29/7	69	67	Benrose	69	+1
175	F.P.	15/6	21/7	215	175	Berisford (S. & W.)	179	−3
168	F.P.	14/6	—	204	175	Bowater	178	−3
40	F.P.	3/6	15/7	52	46½	Brooke Bond	47½	......
42	nil	8/7	26/8	3pm	½pm	Comford Engineering	½pm	......
40	nil	11/7	5/8	12pm	9pm	Cartwright (R.)	10pm	......
36	nil	8/7	12/8	7pm	6pm	Chamberlain Group	6½pm	......
30	nil	11/7	19/8	29pm	16pm	Coalite	27pm	−2
28	F.P.	4/7	5/8	43	38	Cowan De Groot	40	−1
68	F.P.	29/6	22/8	74½	68½	Debenhams	70	......
114	F.P.	17/6	22/7	138	122½	Deritend Stamping	132	......
93	F.P.	13/6	25/7	112	102	Dunlop	107	−1
5	nil	—	—	½pm	1½pm	Duple Intnl.	1½pm	......
50	nil	7/7	5/8	8pm	3½pm	Dutton-Forshaw	6½pm	......
108	F.P.	10/6	15/7	141	117	Empire Stores (Bradford)	141	+5
65	F.P.	4/7	25/7	73	67	Expanded Metal	67½	+½
21	F.P.	1/7	5/8	30¼	27½	Fine Art Development	30½	+¼
48	nil	—	—	12pm	8pm	Fluidrive Intnl.	8pm	−1
25	F.P.	29/6	5/8	36	33	Gibbons (S.)	36	+2
155	nil	—	—	29pm	22pm	Gillett Bros. Discount	25pm	......
20	F.P.	17/6	8/7	27½	25	Greenfield Millets	27	−½
70	nil	—	—	24pm	17pm	Kode Intnl.	22pm	−1
92	nil	—	—	19pm	11pm	Laporte	11pm	−5
36	F.P.	10/6	8/7	62	50	Lilley (F.J.C.)	52	......
36	nil	—	—	10½pm	7pm	M. Y. Dart	7pm	−½
58	F.P.	23/6	15/7	50½	47½	Martin A.	49	+1
122	F.P.	24/6	5/8	152	147	Martin the Newsagent	149pm	......
100	F.P.	17/6	8/7	140	132	Martonair	140	+1
21	F.P.	17/6	29/7	27	25½	Quick H. & J.	25	......
82	F.P.	26/5	7/7	125	109	Rockware	123	+1
93	nil	8/7	10/8	16pm	7pm	Runciman (Walter)	13pm	−2
29	F.P.	23/6	29/7	38½	32	Siemssen Hunter	38	......
35	nil	13/7	10/8	6½pm	2½pm	Tozer Kemsley	4pm	......
55	F.P.	1/7	29/7	64½	58	Transparent Paper	64½	+7½
32	F.P.	23/6	29/7	39½	36½	Warne Wright & Rowland	39	−½
49	F.P.	—	—	67½	27	Woodside Petroleum	30	......

Renunciation date usually last day for dealing free of stamp duty. a Placing price to public. b Figures based on prospectus estimate. d Dividend rate paid or payable on part capital, cover based on dividend on full capital. p*** Pence unless otherwise indicated. u Forecast dividend: cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1977-78. q Gross. t Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. ✻ Offered to holders of Ordinary shares as a "rights." ♥ 290 S.Afr. cents. † Rights by way of capitalisation. †† Minimum tender price. ♦ Reintroduced. ‡‡ Issued in connection with reorganisation, merger or take-over. ♣ Introduction. ♠ Issued to former Preference holders. ‡ Allotment letters (or fully-paid). † Provisional or partly-paid allotment letters. § With warrants. ♦ After suspension.

BASE LENDING RATES

A.B.N. Bank	8½%
Allied Irish Banks Ltd.	8½%
American Express Bank	8½%
Amro Bank	8½%
A P Bank Ltd.	8½%
Henry Ansbacher	9 %
Banco de Bilbao	8½%
Bank of Credit & Cmce.	8½%
Bank of Cyprus	8½%
Bank of N.S.W.	8½%
Banque Belge Ltd.	8½%
Banque du Rhone S.A.	9 %
Barclays Bank	8½%
Barnett Christie Ltd.	9½%
Bremar Holdings Ltd.	9 %
Brit. Bank of Mid. East	8½%
■ Brown Shipley	8½%
Canada Permanent AFI	8½%
Capitol C & C Fin. Ltd.	9 %
Cayzer Ltd.	9½%
Cedar Holdings	9 %
■ Charterhouse Japhet	8½%
C. E. Coates	9½%
Consolidated Credits	8½%
Co-operative Bank	*8½%
Corinthian Securities	8½%
Credit Lyonnais	8½%
G. R. Dawes	10 %
Duncan Lawrie	¶ 8½%
Eagil Trust	8½%
English Transcont.	9 %
First London Secs	8½%
First Nat. Fin. Corpn.	9½%
First Nat. Secs. Ltd.	9½%
■ Antony Gibbs	8½%
Goode Durrant Trust	8½%
Greyhound Guaranty	8½%
Grindlays Bank	‡ 8½%
■ Guinness Mahon	8½%
■ Hambros Bank	8½%
■ Hill Samuel	§ 8½%
C. Hoare & Co.	† 8½%
Julian S. Hodge	9½%
Hongkong & Shanghai	8½%
Industrial Bk. of Scot.	8½%
Keyser Ullmann	8½%
Knowsley & Co. Ltd.	10 %
Lloyds Bank	8½%
London & European	9½%
London Mercantile	8½%
Midland Bank	8½%
■ Samuel Montagu	8½%
■ Morgan Grenfell	8½%
National Westminster	8½%
Norwich General Trust	9%
P. S. Refson & Co.	8½%
Rossminster Accept'cs	8½%
Royal Bk. Canada Trust	8½%
Schlesinger Limited	9 %
E. S. Schwab	10½%
Security Trust Co. Ltd.	10 %
Shenley Trust	11½%
Standard Chartered	8½%
Trade Development Bk.	8½%
Twentieth Century Bk.	10 %
United Bank of Kuwait	8½%
Whiteaway Laidlaw	9 %
Williams & Glyn's	8½%
Yorkshire Bank	8½%

■ Members of the Accepting Houses Committee.

* 7-day deposits 4%, 1-month deposits 4¼%.

† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 5% and over £25,000 5¼%.

‡ Call deposits over £1,000 4%.

§ Demand deposits 5¼%.

¶ Rate also applies to Sterling Ind. Secs.

INTERNATIONAL COMPANY NEWS

BFG loans to B. Treuhand

BY GUY HAWTIN

FRANKFURT, July 3

THE BANK FUER GEMEINWIRTSCHAFT, which is owned by the West German trade unions, has made total advances of some DM.187m. to Bremer Treuhand, which last month announced that it would request the opening of liquidation proceedings. However, Dr. Walter Hesselbach, BFG's chief executive, said that the sum was more than covered by security worth some DM240m. (£59.3m.).

None of the institutions that have advanced funds to the Bremen-based construction concern, which has a basic capital of only DM6m., will lose money, said Dr. Hesselbach. The public authority-owned Landesbank Bremen was guaranteeing the concern. (Bremer Treuhand's problems stem from rapidly rising costs on a DM400m. (£98.8m.) fixed price Algerian government housing contract).

Dr. Hesselbach, who is retiring after 15 years as the bank's chief executive, will take over as chief executive of the Beteiligungsgesellschaft Fuer Gemeinwirtschaft, which controls the main shareholding interests of the West German trade union movement. He will also remain on the supervisory board of the bank.

Giving his last Press conference as BFG chief executive, he reported that credit business in the first five months of the year was quiet owing to lack of demand from the private sector. In the first quarter of the year the earnings position was "again satisfactory," he said after a 1976 net profit of DM176.2m. compared with 1975's DM107.3m.

The greatest demand for credit had come from the public sector and the bank's private customers.

The bank ended last year with a balance sheet total of DM26.21bn. (£6.47bn.) against DM22.4bn. for 1975, while the group's balance sheet total went up from DM35.15bn. to DM41.44bn. In order to keep pace with the growth in business, the annual meeting, he said, had agreed to increase the bank's nominal capital from its current DM610m. to DM750m. with the newly-created shares being offered at 250 per cent. of nominal value. After allocating some DM210m. to open reserves, this would bring the bank's capital at risk up to DM1.31bn. (£322.7m.).

Diamond legal action

BY PAUL CHEESERIGHT

DE BEERS Consolidated Mines, the South African group which is the world's largest diamond producer and whose Central Selling Organisation is the dominant force in international rough diamond marketing, has been named as a co-conspirator in a $1m. (£581,500) U.S. anti-trust action.

The action was brought by a private Arizona company called DEBEERS Diamond Investment, a retailing concern selling polished diamonds and precious stones in the U.S. at what it calls "near wholesale prices."

But the two companies are in no way connected. Indeed De Beers Consolidated last month took press advertising to dissociate itself from DEBEERS Diamond.

The anti-trust suit has been filed in the U.S. District Court for the District of Arizona and charges "flagrant and continuing violations of the federal anti-trust laws." A statement yesterday from DEBEERS Diamond said the company had been "harassed, disparaged and discriminated against" because it refused to support high mark-up retailing policies.

The defendants were named as the Jewellers Vigilance Committee of New York, a trade association, the Gemological Institute of America, a professional body which grades diamonds, and Chilton, a Delaware publisher of a trade magazine.

De Beers Consolidated and its subsidiary, the London-based Diamond Corporation, were said to be co-conspirators.

DEBEERS Diamonds is seeking $1m. damages and an order from the court for the defendants to cease their activities against the company.

In London yesterday, De Beers Consolidated had no comment to make on the action, but it has in the past been involved in U.S. anti-trust suits. The latest was resolved in August last year.

Amro opens in London

By Michael Blanden

AMSTERDAM - ROTTERDAM Bank, the second largest Dutch commercial bank, to-day opens operations at its new branch in London.

The decision to open in London indicates a change in the bank's general approach to international banking, particularly in relation to its membership of the influential EBIC co-operative group.

This group including Midland Bank in the U.K., is strongly committed to working together in international banking, and its activities include a number of important joint ventures such as European Banking Company.

Amro has now decided that it should open a number of branches in its own name in selected centres to serve its clients, expecting that over the next five to 10 years these could give it direct representation in up to 15 places but excluding New York.

MONEY + EXCHANGES

Money & Exchanges

Bank of England Minimum Lending Rate 8 per cent. (since May 13, 1977)

The supply of day-to-day credit fluctuated sharply in the London money market last week partly due to the influence of a large oversubscription for the purchase of BP shares. This was highlighted on Monday when the Bank of England alleviated the slight shortage by lending a small amount at a rate below MLR. Tuesday saw small lending by the Bank although this was made at MLR and with signs of this loan being slightly overdue; credit on Wednesday was in full supply and the authorities made an effort to mop up the surplus by selling a small amount of Treasury bills.

The projected small shortage on Thursday failed to show the true position and, despite funds returning from the oversubscription on the BP offer, an extreme shortage developed and the Bank lent a correspondingly large amount to 10 or 11 houses. Tight conditions throughout the day saw rates for overnight loans in the interbank market up to 20 per cent. at one stage.

However with further funds returning from the BP offer and money appearing from the authorities' activities in the foreign exchange market, credit on Friday was in plentiful supply. The Bank sold an extremely large amount of Treasury bills both directly and indirectly, a move not seen for at least a year, still leaving a surplus to be brought forward to to-day.

Interest rates showed some movement during the week but ended generally unchanged on balance. At the weekly Treasury bill tender on Friday, the average rate of discount moved slightly to £7.4502 from £7.4566 and MLR remained at 8 per cent.

Many currencies experienced an unsettled week in the foreign exchange market. The main features appeared to be the comparative weakness of the U.S. dollar and the strength of the Japanese yen. A number of projections announced in the U.S. tended to paint a rather gloomy picture as regards the immediate future of the U.S. economy. At the same time, in response to criticism particularly from the U.S. over Japan's huge trading surplus, the Japanese authorities announced a number of measures to reduce this, and in the absence of any central bank support, the dollar came on offer in most centres as part of a general switching into other major currencies. In consequence the yen hit a three year peak at one stage and although there may have been a little help for the dollar towards the end of the week, the yen finished at Y268.00 from Y271.90 on the previous Friday.

Its trade weighted average appreciation as calculated by Morgan Guaranty of New York, using noon rates improved to 13.47 per cent. against 13.65 per cent.

On a similar basis the dollar's depreciation widened to 1.53 per cent. from 1.02 per cent. Against the West German mark the dollar finished at DM2.3400 from DM2.3545 and in terms of the Swiss franc Sw.Frs.2.4625 against Sw.Frs.2.4930.

Sterling spent most of the week in quiet featureless trading, the little movement recorded being mainly due to the weakness of the dollar. The Bank of England intervened on occasion both ways but to no great extent. The best closing level for the week was $1.7208-1.7212, its best level against the dollar since September 1976. Friday's close of $1.7196-$1.7200 showed an improvement on the week of half a point. The pound's trade weighted average index, which the Bank of England calculates, widened slightly to 61.3 from 61.6 the previous Friday. Gold saw a little activity but ended the week on a quiet note gaining $1½ an ounce to $142-142¾.

July 1 1977	Sterling Certificates of deposits	Interbank	Local Authority deposits*	Local Auth. negotiable bonds	Finance House Deposit	Company Deposits	Discount market deposits	Treasury bills ●	Eligible Bank Bills●	Fine Trade Bills ●
Overnight	—	5-4	—	—	—	7-7¼	2-7¼	—	—	—
2days notice	—	—	6⅞-7⅛	—	—	—	—	—	—	—
7 days or 7 days notice	—	6⅞-7⅛	7-7¼	—	7¼-7¾	7⅛	6¾-7¼	—		
One month	7¼-7⅜	7⅛-7¼	7¼-7⅜	9-8⅛	7¼-7¼	7¾	7-7½	7¼-7⁵⁄₁₆	7¼-7⁵⁄₁₆	8-6⅛
Two months	7½-7⁷⁄₁₆	7⅝-7½	—	8¼-8	7½-8	—	7¼	7⅜-7⁷⁄₁₆	7½-7⁷⁄₁₆	8-8⅜
Three months	7⅜-7⅝	7¾-7⅞	7⅝-7⅞	8¼-8	7¾-8¼	—	7⅜	7⁷⁄₁₆-7½	7⅞	8¼-8½
Six months	8⅛-8¼	8⅝-8¾	8½-8¾	8⅞-8⅝	8½-9½	—	—	—	8¼	8½-8¾
Nine months	9¼-9⅛	9⅛-9½	—	10-9⅛	9¾-10	—	—	—	—	—
One year	9⅛-9½	9¾-9⅞	9⅞-10¼	10¼-8¾	10-10⅛	—	—	—	—	—
Two years	—	—	11⅛-11⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 12¾-13⅛ per cent.; four years 12¾-13¼ per cent.; five years 13¼-13⅞ per cent. ● Bank bill rates in table are buying rate for prime paper. Buying rates for four-month bank bills 7⅜ per cent.; four-month trade bills 8½ per cent.

Approximate selling rate for one-month Treasury bills 7¼-7⁵⁄₁₆ per cent.; two-month 7¼-7⁵⁄₁₆ per cent.; and three-month 7¼-7¹⁵⁄₃₂ per cent. Approximate selling rate for one-month bank bills 7¼-7⁵⁄₁₆ per cent.; two-month 7⁵⁄₁₆-7¹¹⁄₃₂ per cent.; and three-month 7¹⁷⁄₃₂ per cent.; one-month trade bills 7¾-8 per cent.; two-month 7¾-8 per cent.; and also three-month 8 per cent.

Finance House Base Rate (published by the Finance Houses Association): 8 per cent. from July 1, 1977. Clearing Bank Deposit Rates for small sums at seven days' notice 4 per cent. Clearing Bank Base Rate for lending 8½ per cent. Treasury Bills: Average tender rates of discount 7.4502 per cent.

FOREIGN EXCHANGES

July 1	Bank Rates %	Market Rates Day's Spread	Market Rates Close
New York	5¼	1.7185-1.7205	1.7195-1.7205
Montreal	7½	1.8200-1.8250	1.8215-1.8225
Amsterdam	5½	4.25-4.27½	4.25½-4.26½
Brussels	8	61.30-62.20	61.85-62.10
Copenh'gen	8	10.33½-10.39	10.37½-10.38½
Frankfurt	3½	4.01½-4.04	4.02¼-4.03¼
Lisbon	8	66.25-66.55	66.35-66.50
Madrid	7	118.70-120.05	119.70-119.90
Milan	15	1,520½-1,525½	1,521-1,522
Oslo	8	9.14½-9.17	9.15¾-9.16¾
Paris	10½	8.45½-8.47½	8.45¾-8.46¾
Stockholm	8	7.56½-7.58½	7.57-7.58
Tokyo	5	455-465	460½-462½
Vienna	4	28.45-28.65	28.50-28.60
Zurich	2	4.22½-4.25	4.23¼-4.24¼

‡ Rates given are for convertible francs. Financial franc 61.90-62.10.

OTHER MARKETS

			Notes Rate
Argentina	671.56-671.75	Argentina	650-750
Australia	1.5545-1.5562	Austria	28-29
Brazil	24.52-24.72	Belgium	61-62½
Finland	6.94-6.96	Brazil	28-31
Greece	62.982-64.256	Canada	1.81-1.85
Hong Kong	8.02½-8.04	Denmark	10.30-.45
Iran	119-125	France	8.35-8.55
Kuwait	0.489-0.499	Germany	3.95-4.10
Luxemb'g	61.85-62.10	Greece	61-65¼
Malaysia	4.2670-4.2770	Italy	1470-1520
N. Zealand	1.7675-1.7852	Japan	460-479
Saudi Ara.	6.01-6.11	Netherl'nd	4.15-4.30
Singapore	4.2380-4.2435	Norway	9.05-9.25
S. Africa	1.4975-1.5058	Portugal	64-67
U.S.		Spain	117-121
Canada		Switz'land	4.15-4.30
C$1 =		U.S.	1.71½-1.73
U.S. cents	84.63-84.41	Yugoslav'a	30½-33½

Rate given for Argentina is free rate.
† Rate for June 30 should be 6.95¾-6.97¾.

EXCHANGE CROSS-RATES

July 1	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Fr'nkf't	—	2.339-340	47.65-61	6.48-49	4.021-028	94.52-60	94.90-98
N. York	42.74-76	—	20.33-34	2.7728-40	1.7197-7199	40.36-38	40.64-66
Paris	210.53-65	4.9135-9255	—	13.685-669	8.4625-472	198.65-305	199.52-.02
Brussels	15.38-43	36.04-07	7.33-34	—	61.96-62.07	14.54-59	14.62-66
London	4.02½-03½	1.7196-7200	8.45½-462	61.85-62.10	—	4.25½-26½	4.23½-24½
Am'd'm	105.785-815	2.4757-62	50.31-36	6.8825-875	4.2555-260	—	100.495-545
Zurich	105.21-30	2.462-463	50.04-08	6.8300-75	4.234-237	99.41-62	—

U.S. $ in Montreal U.S. $ = 105.91-95 Canadian Cents
Canadian $ in New York C $ = 94.57-59, U.S. cents. U.S. $ in Milan 884.70-90.
Sterling in Milan 1521.25-1522.25.

EURO-CURRENCY INTEREST RATES*

July 1	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss franc
†Short term	7⅛-7⅜	5¼-5½	5¾-6¾	1½-1¾	3⅞-4⅛	2-2¼
7 days notice	7¾-8¼	5⅜-5⅝	6¼-7¼	1½-1¾	3⅞-4⅛	2-2¼
Month	8⁷⁄₁₆-8⅞	5¾-6	6⅝-7	2⅛-2⅜	3⅞-4	3¹⁄₁₆-3³⁄₁₆
Three months	9¹⁄₁₆-9⅝	6¼-6	6⅞-7¼	3¼-3½	3¹⁵⁄₁₆-4¹⁄₁₆	3¼-3⁵⁄₁₆
Six months	10-10½	6-6¼	7-7⅜	4⅛-4⅜	4-4⅛	3⁵⁄₁₆-3⁷⁄₁₆
One year	10⅛-10⅝	6¼-6⅛	7¼-7⅝	5⅜-5⅝	4¼-4⅜	3¹¹⁄₁₆-3¹³⁄₁₆

Euro-French deposit rates: two-day 9-9½ per cent.; seven-day 9-9½ per cent.; one-month 9-9½ per cent.; three-month 9⅛-9⅞ per cent.; six-month 9¾-9⅞ per cent.; one-year 10½-10⅞ per cent.

Long-term Eurodollar deposits: two years 6¾-7⅛ per cent.; three years 7-7⅛ per cent.; four years 7⅜-7⅞ per cent.; five years 7⅜-8 per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 5¼-5⅜ per cent.; three-month 5¼-5½ per cent.; six-month 5¾-6 per cent.; one-year 6¼-6⅜ per cent.

* Rates are nominal closing rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

GOLD MARKET

	July 1	June 30
Gold Bullion (a fine ounce)		
Close	$142-142¾	$142¾-143½
Opening	$142¾-143½	$142¾-143½
Morning fix'g	$145.05 (£83.149)	$142.95 (£83.085)
Aftern'n fix'g	$142.55 (£82.888)	$143.00 (£83.120)
Gold Coins domestically		
Krugerrand	$146½-148½ (£85¼-86¼)	$146-148 (£85-86)
N'w Sov'r'gns	$46¾-48¾ (£27¼-28¼)	$47¼-49¼ (£27½-28½)
Old Sov'r'gns	$46-47 (£26¼-27¼)	$45-47 (£26¼-27¼)
Gold Coins (Internat'lly)		
Krugerrand	$146-148 (£85-86)	$147¼-149¼ (£85¾-86¾)
N'w Sov'r'gns	$47¼-49¼ (£27½-28½)	$47¼-49¼ (£27½-28½)
Old Sov'r'gns	$44¼-46¼ (£25¾-26¾)	$44¼-46¼ (£25¾-26¾)
$20 Eagles	$212¾-216¾	$211¾-214¾

FORWARD RATES

	One month	Three months
New York	0.47-0.37 c. pm	1.55-1.45 c. pm
Montreal	0.30-0.20 c. pm	1.00-0.90 c. pm
Amst'dam	2¾-1⅞ c. pm	5⅞-5⅝ c. pm
Brussels	15 c. pm-par	40-25 c. pm
Cop'nhgn.	5-7 ore dis	14½-16½ ore dis
Frankfurt	1⅞-⅞ pf pm	5⅛-4⅝ pf pm
Lisbon	50-150 c. dis	170-460 c. dis
Madrid	350-460 c. dis	940-1040 c. dis
Milan	5-11 lire dis	18-25 lire dis
Oslo	¼-2¼ ore dis	par-2 ore dis
Paris	¼-1¼ c. dis	par-1 c. dis
Stockh'lm	2¼-11¼ ore dis	20½-22½ ore dis
Vienna	5gro pm-5gro dis	10 gro pm-par
Zurich	2¼-1¼ c. pm	5½-5⅛ c. pm

Six-month forward U.S. dollar 3.35-3.25 cpm and 12-month 6.35-6.25 cpm.

SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	July 1	June 30
Sterling	0.677843	0.677753
U.S. dollars	1.16589	1.16587
Belgian franc	42.0099	42.6121
Deutschemark	2.72725	2.72580
French franc	5.73660	5.73521
Italian lira	1031.33	1031.53
Japanese yen	311.293	312.103
Dutch guilder	2.88556	2.88261
Swedish krone	5.13633	5.12802
Swiss franc	2.87162	2.86209

* Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

MINING NOTEBOOK

Anglo making certain at Gamsberg

BY LODESTAR

EXCITEMENT continues to run high in Johannesburg about the prospects for the big base-metal finds in the north-west Cape particularly since the Anglo American Corporation emerged as the South African partner in the development of the big zinc orebody discovered by America's Newmont Mining Corporation at Gamsberg. The other participant is the latter's long-established copper-mining subsidiary, O'okiep. The split-up is Anglo 45 per cent. Newmont 27.5 per cent. and O'okiep 27.5 per cent.

The O'okiep mine is only 60 miles from the Gamsberg deposit the latest verdict on which from one of the participants is that "there will most certainly be a mine but we aren't finally sure when." An independent U.S. firm is to carry out a validation study on Gamsberg from geology right through to marketing. When this is completed next January final decisions will be taken.

The partners naturally hope that by then the course of the zinc price will be a little more encouraging for a venture which is likely to cost some R170m. (£114m.). It is thought that it will take about four years of production to recoup this. Industry sources put costs at around R14 a tonne. Allowing for 20,000 to 30,000 tonnes of lead concentrates to augment the anticipated 350,000 tonnes of zinc concentrates per annum revenue is currently estimated at about R85m. (£57m.) a year. Johannesburg analysts reckon that Gamsberg could be annually worth some 14 cents a share to Anglo, not to be sneezed at even by this giant concern.

The point of the validation study is to establish the viability of the project beyond any shadow of doubt so that the banks, which have already shown great interest in Gamsberg as well as in the Phelps Dodge-GFSA Aggeneys find in the same region, will put up money on the security of the ore reserves in a funding exercise with the "highest gearing the banks will give us."

Any thought of a zinc refinery, however, is still only a gleam in the eyes of Mr. Gordon Parker, O'okiep's managing director, and Mr. Alan McKerron who heads Anglo's burgeoning base-metal division. It would, they acknowledge, cost another R230m. (£167m.) and is "completely uneconomic" at present toll rates. But they reckon that, given some loss of capacity by zinc refiners elsewhere and a rise in the metal price, the economics might start looking a little better.

At least neither Gamsberg nor Aggeneys is likely to suffer from the expensive government obstructionism that so inflated the cost of Ireland's big Tara zinc mine which, as reported here, reached production over the jubilee bank holiday week-end. I gather from Dublin that the plant is working reasonably well for such an early stage and is producing around 1,000 tons of concentrates a day, or about 70 per cent. of capacity.

A surface stockpile of 0.6m. tons of ore has been built up over the past year. Feed for the plant is being drawn from this plus ore from underground. Tara expects to make its first shipment to the European smelters in the first half of July. The Tara participants are the Irish Government, Canada's Northgate, Cominco and Noranda and Anglo American's U.K. arm, Charter Consolidated. Tara shares, a narrow market with the bulk of the capital firmly held by these companies, stand at £14¼ in London.

Tin optimism

The tin market's performance last week underlined the healthier position of this metal compared with copper, lead and zinc. In London the cash price on Friday was £5,715 a tonne, up £152 on the week and comparing with a 1976 average of £4,255. The Penang price of $M1,461 a picul goes against last year's average of $M1,147.

Anyone who wants to delve deeply into tin's current position and prospects should obtain the 48-page review jointly published by stockbrokers Laurence, Prust and commodity analysts Rayner Harwill. It is a very thorough-going exercise.

Short-term conclusions are that a squeeze on supplies could develop by September especially if sales from America's GSA stockpile are delayed until after October and that in consequence the metal's previous 1977 peaks (£6,400 in London and $M1,660 in Penang) could be exceeded.

Long-term it is considered that prospects for tin remain "excellent" and that even in the face of GSA sales its price could rise during 1978 and possibly knock on the $M2,000 door in Penang. If the review proves right in its conclusions there should certainly be no hurry to sell the good quali[ty] tin shares which have be[en] recommended here from time [to] time.

The Saint Piran annual rep[ort] issued over the week-end unde[r]lined the new-found prosperity [of] the Cornish tin producers, Sou[th] Crofty (owned by St. Piran) a[nd] Geevor. St. Piran's chairman, M[r.] W. J. R. Shaw, is confident abo[ut] his company's 1977-78 prospe[cts] following a year when profi[ts] were the best in its histor[y]. Analysts are looking for a furth[er] improvement in earnings p[er] share from 8.25p to over 12p [in] the current year to next Marc[h]. The 25p shares are 55p but cou[ld] be better this morning followi[ng] the chairman's week-end op[ti]mism.

Selection Trust

At the end of May wh[en] Selection Trust shares were [at] their 1977 low of 395p I point[ed] out that with some brilliant 197[6-] 1977 results in the offing it look[ed] like a buying opportunity. In th[e] event the profits bettered m[ost] expectations and the shares ha[ve] risen to 425p ex dividend.

This morning's announceme[nt] of a 12-year $40m. Eurobo[nd] offering may be a depressing ma[r]ket factor but it should not [be] for long when it is realised th[at] this does not represent fre[sh] money-raising but merely a tid[y]ing up operation to replace exi[st]ing shorter-term foreign curren[cy] bank borrowings.

Selection Trust's annual repo[rt] is due this week. It should ma[ke] a good showing and at the mee[t]ing on July 28 Mr. Chester Beat[ty] should be able to present [a] sufficiently optimistic view [of] prospects to give the shares t[he] chance of regaining in due cour[se] the 500p level attained earli[er] this year.

Excitement in the shares [of] Canada's intriguing gold a[nd] silver mining company, Agnic[o-] Eagle, has died down since [I] wrote here in April about its ne[w] silver finds in the historic Cob[alt] area. At the annual meeting t[he] president, Mr. Paul Penr[?] indicated that the dividend payi[ng] stage may be reached next yea[r]. The Joutel gold mine in Queb[ec] has six years' ore reserves ahe[ad] of it and is seeking more ore [at] depth. Agnico are $5⅜ in Toron[to] which compares with a 1977 pri[ce] swing of $3.55 to $8. They are [a] popular gold price speculati[on] over there.

INSURANCE

Premium growth still slow as inflation hits profits

BY OUR INSURANCE CORRESPONDENT

THE BRITISH Insurance Association held its annual Press conference as Thursday — as usual, immediately after its annual general meeting. Mr. W. C. Harris, the recently retired chairman, reported on events as they had affected last year's operations of member companies throughout the world.

The impact of continuing domestic and world-wide inflation is immediately apparent when one has regard to the 29.8 per cent. increase in non-life premiums written in 1976 — £6.025bn. — against premiums written in 1975—£4.641bn.

In spite of clear economic growth in the developing countries, where not all British insurers are well placed, the world-wide economic malaise continues, and premium growth in real terms must have been much less spectacular.

Although underwriting results in the various countries are like the curate's egg, the bad parts continue to outweigh the good, and association members sustained an underwriting loss of £146.3m. last year, 2.7 per cent. of premium, which compares with a loss of £175m. in 1975, which was 4.2 per cent. of premium.

In Britain, though individual fortunes were mixed, the companies in total achieved an underwriting profit of £1.7m. on a combined income approaching £850 in respect of motor insurance. But it seems that any British company writing household cover must have made a loss, having regard to the total company bill for subsidence of £60m. and storm damage of £20m.

As usual underwriting losses were more than covered by investment income which last year totalled £631m. But most of the surplus of investment income over underwriting loss had to be put to reserve by individual companies to maintain solvency margins and thus finance the expansion of premium income.

In reciting these bald figures, may I comment that perhaps the association could and should say very much more on the need of companies to generate underwriting profit to finance expansion (whether this be real or inflationary) and the undesirability of relying on investment income for this purpose.

At the year end, life invested funds totalled £8.295bn. while life funds totalled £25.236bn. at book values on December 31, 1976.

These funds are for the protection of policyholders at home and abroad and a leaflet now being issued by the BIA say: "We and our policyholders help to build up Britain's economy."

It goes on to particularise on recent insurance investment, saying that for every pound the companies invest some 34p is put into industry, 26p is lent to Government or local authorities, 29p is used to provide mortgages and loans, to buy land and property, while 11p is kept "close at hand" for immediate needs. The overall objective is long-term security for policy holders.

This is the sort of ammunition which the association is firing and must continue to fire bo[th] publicly and in its evidence [to] the Wilson Commission to co[unter] that TUC suggestions that the[re] should be positive diversion [of] insurance fund investment in industry.

The same leaflet makes [the] anti-nationalisation point that t[he] insurance market earns so[me] £450m a year, 40 per cent of [all] the foreign earnings that t[he] City brings to Britain each yea[r].

Quantifying this in terms [of] food consumed, the associati[on] points out that insurance i[n]visibles pay for most of the be[ef] and butter we import.

Emphasising that ma[ny] countries which now buy Briti[sh] policies, object strongly to dea[l]ing with government-controll[ed] companies, the association stat[es] that nationalisation would me[an] a large loss of overseas earnin[gs] for Britain and therefore, mu[ch] less beef and butter for us a[ll].

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MONDAY, JULY 4, 1977

Banks on the defensive

THE INITIAL evidence of the London clearing banks to the Wilson Committee on the functioning of the financial institutions was published at the end of last week. It contains a certain amount of new information — including some about unused loan and overdraft facilities which might well be included with the monthly banking figures—and rehearses various familiar arguments in support of the banks' case, that they do a good job of channelling the country's savings into industry and trade. If the document seems to read a trifle defensively, that is hardly surprising. It is the clearing banks, after all, which have been the main target of criticism over the years for failure in the precise field which the Wilson Committee is at present investigating.

While maintaining firmly that the financial system as a whole has been generally effective in meeting the demands of industry and trade, the banks do admit that there are two particular types of finance which the system as a whole has found relatively difficult to supply on acceptable terms. These are term finance for periods of ten to 20 years and risk capital for small growing businesses. Various specialised bodies have been developed with the help of the banks to help fill these gaps, and they do not accept that there are major defects in their own range of activities.

Tax anomalies

The specific suggestions which they put forward at the end of their evidence, however, are presumably intended to help improve the system as well as to better the competitive position of the clearing banks inside it. Two, in particular, deserve consideration by the Committee. One is that there should be greater parity of treatment between different types of financial institution, both for tax and control purposes. The other is that the authorities might create machinery for refinancing. In case of need, some of the medium-term lending of the clearers.

The first suggestion covers a variety of particular complaints about unfair treatment —including the operation of the "corset" and the obligation of the banks to hold 1½ per cent. of their eligible liabilities interest-free with the Bank of England—but the evidence makes it clear that what the banks most resent is the special tax concessions offered to those who place their savings with competitive media like building societies, National Savings and assurance companies. Whatever the original purpose of these special concessions, they now make little sense (in some cases they make positive nonsense) and the submission that, if subsidies are deemed necessary, the users rather than the providers of finance should be subsidised deserves serious consideration. The main difficulty lies in moving away from an established pattern to another. As the recent Green Paper on housing finance showed, when a system becomes complicated enough politicians will prefer to tinker with it rather than reshape it.

Term loans

The second suggestion, that the authorities should stand ready to refinance some of the banks' medium-term lending in case of need, is by no means new. Mr Healey mentioned in his Budget speech in the spring of last year that the Bank of England was discussing this possibility with the clearers, and the main reason why nothing has yet emerged from the discussions is probably the slackness of demand for bank credit at the moment. Things may change when business picks up. But it may occur to the Committee to ask why the clearers have not tried more urgently to increase their own capacity for term lending: the consideration of floating rate notes, which they mention, appears to be at a very early stage. The Committee may also find it a little odd that the clearers, after recommending the scrapping of arbitrary tax advantages in one breath, go on in the next to suggest that the quoted debentures and loan stocks of Finance for Industry should be given the same tax advantages as gilt-edged.

A dangerous course for Israel

THE NEW Israeli Government is reported to be studying plans for the establishment of a more intensive network of Jewish settlements on the West Bank of the Jordan. It is true that the plans do not yet seem to have been given the official go-ahead by the Prime Minister, Mr. Menahem Begin, but they were included in his party's electoral programme for the general election last May, and there is nothing that Mr. Begin has said since taking office which suggests that he has had second thoughts about their implementation. On the contrary, there is a great deal of evidence to suggest that he believes that the imposition of settlements on the West Bank is the natural right of the Jewish people.

Homeland

It would be difficult to understate the damage which the putting of such a conviction into practice could do—not just to the chances of a negotiated Middle East settlement, but also to Israel itself.

Mr. Begin has come to power at a time when the prospects for at least beginning negotiations are unusually propitious. There has been a decisive shift among key Arab states in recent years towards moderation: not only President Sadat of Egypt, but also President Assad of Syria, have shown that they would like to bring the succession of Arab-Israeli wars to an end, if only to allow them to get on with their own development policies. The Syrians, in particular, have shown their seriousness by exercising their own restraining influence on the Palestine Liberation Organisation: it is no longer the purely militant, terrorist body that it was once widely considered in the past.

At the same time, there has been a marked change in attitudes in the Middle East among countries outside the area. The French have spoken for some years of the need to find a homeland for the Palestinian people. President Carter speaks the same language and indeed it has now been endorsed by the European Community in the statement by the Heads of Government meeting in London last week. Put very simply what the Western powers are saying is that it is the absence of a Palestinian homeland which is the cause of the Middle East conflicts: remove that cause and the conflicts should at least be much diminished. The Palestinians, in other words, are in the position of the Jews before the foundation of the state of Israel.

It may have been less noticed that President Carter especially is also saying something else. The Israeli demand for security is fully recognised, but not just in the terms of internationally accepted borders. Recent U.S. statements have drawn a distinction between what Vice-President Mondale called the other day "the requirement of recognised borders" and "the imperatives of security." There might, he suggested, be separate lines of defence, which would be quite separate from borders and the purpose of which would be to provide Israel with security guarantees.

Illusion

There is much in that statement that needs to be elucidated, and no doubt Mr. Begin will want to ask questions about it when he visits Washington in two weeks' time. But it does seem to offer the beginnings of a solution. It would have not the slightest chance of being accepted by the Arabs, however, if the Israelis were now to go ahead with new West Bank settlements. Nor is there any reason to believe that Israel would then be able to count on outside support. Mr. Begin is being offered security. He is in danger of throwing it away for the illusion of independence.

Monopolies searchlight on credit cards

BY MICHAEL BLANDEN

THE terms on which the credit cards have been referred to the Monopolies Commission provides the basis for a thorough and comprehensive examination of one side of the activities of the main card companies. The reference by Mr. Gordon Borrie, the Director General of Fair Trading, was prompted particularly by the specific problems of the garage trade. But it was deliberately kept broad enough to enable the Commission to look into the whole question of the relationships between the major card-operating companies and the trading outlets to which they serve.

The two big bank card organisations, Access and Barclaycard, have welcomed the announcement of the inquiry, which has been expected for some time, and promised full co-operation. They hope that it will provide an opportunity to settle once and for all what they feel to be continuing misunderstandings and misconceptions about their activities. In particular, they feel they can provide satisfactory answers to the suggestion that the arrangements they make with their customers in the retail trade can operate against the public interest by increasing prices.

It is nevertheless possible to detect in the card organisations some continuing sense of injustice about the way in which they feel they have been singled out for criticism. Their success in attracting business from both individual cardholding customers and from retail traders has not been accompanied by universal popularity, at least among traders and in some political circles. The cards have aroused a degree of controversy which is perhaps disproportionate to their actual importance as a source of credit. The companies still feel a grievance, for example, about their treatment under credit restrictions imposed in December, 1973, and still in force.

To some extent, the banks may blame themselves for this. Barclays Bank was the first in the field, pioneering in the U.K. with a link with the BankAmericard organisation; it is now part of the international Visa blue, white and gold card system. This card is also used by Bank of Scotland and the Co-operative Bank among others. Access was launched six years later in 1972, backed by the other big three British banks, Lloyds, Midland and National Westminster, together with Williams & Glyn's and the Royal Bank of Scotland. There can be little doubt that it was the manner of the Access launch and the attendant publicity which drew attention to the development of the card operations at a time when the growing consumer protection movement was looking for targets: the Barclaycard introduction, on similar lines, had after all not aroused anything like the same degree of controversy.

While thankful for the chance to explain themselves, therefore, the bank card organisations are still a little anxious about the context in which the examination is to be conducted. In the first place, though the reference covers all the major credit card organisations, it is clear that the main concern is with the bank cards. They are the biggest in the field. And they operate in substantially different ways and with a different approach from that of the two other major cards, American Express and Diners Club. Moreover, though the reference is quite general in relation to their business with retailers, it excludes some areas which, they argue, need to be examined in order to arrive at a complete picture of the impact of credit card operations.

The main difference between the two types of card lies in the services they provide to the individual cardholders. Bank cards are designed both as a method to simplify the settling of ordinary day-to-day bills and as an instrument for providing extended credit to the holder. Access and Barclaycards are issued free to the holder, but one of the main ways in which the banks hope to make a profit is from the interest charged on borrowing beyond the free credit period of 25 days after presentation of the monthly account. American Express and Diners are of the older type known as travel and entertainment cards. They are more up-market, aiming for example at the much-travelled executive. A charge is made for the issue of the cards, and holders are expected to settle their monthly accounts on demand—in other words, no extended credit is offered.

Terry Kirk

Discounts on petrol to cash customers were sometimes not made available to card customers.

Complaints received

The services provided to cardholders are excluded from the terms of the reference to the Monopolies Commission, which is concerned solely with the dealings with the retail outlets. It is in this area that the Director General has received complaints, most frequently from petrol retailers. The issues here clearly concern specifically the bank cards. The problem has arisen because of the commissions which the credit card organisations charge to retailers on the value of their sales settled by using credit cards. These vary from around 3 per cent. up to about 7 per cent., with the garage business normally at the lower end of this scale.

At the height of the petrol price war last year a number of garages offered discounts to customers who paid in cash which were not made available to card customers. The two bank card organisations, Access and Barclaycard, however, include in their agreement with retailers a condition that cardholders should be given the same sales terms as other customers, and took steps to enforce these terms. As a result a number of garage outlets decided to leave the card groups. Both the bank cards have seen a drop in the numbers of garages on their books, and it is thought that others, such as American Express, which do permit retailers to discriminate in their pricing may have gained ground as a result.

Two important aspects have been drawn to the attention of the Monopolies Commission by the Director General: whether the traders who pay commission effectively subsidise the periods of interest-free credit given to cardholders; and whether prices are increased because traders pass on the extra cost of commissions. In setting these points before the Commission, Mr. Borrie has mentioned a number of specific points. One is the question arising directly from the garage problem, whether card companies should forbid traders from giving any concessions to cash customers without also offering them to cardholders. Prohibitions of this kind are banned in the U.S.

The Commission will also consider the wider points of whether it is appropriate for the credit card companies to levy any charge at all for supplying their services to retail traders, and whether if a charge is made it should take the form of a commission on the value of a sale. The point is made that the scale of charges differs considerably among traders, with garages for example being charged a lower rate than restaurants. Most generally, the Commission will examine the whole question of whether there is enough competition between credit card companies in the terms offered to traders, bearing in mind the similarity between rates of commission.

The card companies feel they have answers to these points. Differences of the terms given traders, they argue, for example, can arise from differing amounts of work involved for the card organisation. That in turn may depend on factors such as the average size of the bills presented and the amount of risk of fraud involved; some areas such as off-licences are particularly prone. Moreover, they maintain, the charge they make is more than compensated for by the benefits they bring to the traders. They include, as the card groups argue, convenience and in many cases a significant increase in turnover. They also include a real advantage in the ability of the retail outlet to get immediate credit in return for the card sale vouchers presented to the bank instead of waiting for cheques to be cleared or, even more costly, providing their own credit services.

This last point was the one to which Barclaycard drew particular attention in its immediate reaction to the news of the reference. The group argued that in many cases the cards had replaced in part or in full consumer credit arrangements run by retailers themselves, thus improving their cash flow and releasing funds held up in the form of working capital. This is one of the reasons why the card companies might prefer to see the investigation given an even broader context. The reference specifically excludes from the definition of credit cards the in-house account cards that are provided by retailers themselves, but which, the card companies feel, are relevant to an examination of the alternative services which they themselves provide.

The exclusion of the services provided to cardholders, the other side of the business, raises wider issues. The main reason for this exclusion was that a consideration of this part of the card operation would probably involve dealing with the cards in the context of the credit industry as a whole, including competing forms of lending such as personal loans from banks and hire purchase. This is not within the terms of reference to the Commission. In any case, this aspect of the business has already been dealt with in the Crowther Committee report on consumer credit and in the subsequent 1974 Consumer Credit Act. The card companies are substantially affected by the regulations being put into effect as a result of that legislation.

While the Commission will not be looking at this side of the business, nevertheless, it is clear that its conclusions and recommendations could have substantial implications for the whole structure of credit card operations. It is possible, for example, that the investigation might lead to the conclusion that the present method of charging commission to retailers does have undesirable effects in putting up prices—though the card companies deny it. If this happened, and recommendations were made for changing the system, it could be difficult to avoid parallel adjustments in the relationship with cardholders and in plans for further development of the card operations.

In this broader context t card organisations are alrea facad with some importa issues. One concerns the rate interest charged to cardholde for the provision of extend credit. At present, the rate 2 per cent. a month at Acc and Barclaycard—it has be changed only once, in t autumn of 1975, when bc raised it from 1½ per cent. Tl works out at a maximu nominal true rate of 26.82 p cent. p.a.; though the real c to borrowers is normally sign cantly lower because of the fr credit period of between 25 a 56 days available on the card

The recent sharp decline interest rates generally l prompted thoughts that the c groups might be able to br their own charges down. I their decisions could be affec by other factors—the subst tial cost they expect to bear a result of implementing new consumer credit rules, a the continuing inhibition their development by the cre controls.

Guarantee cards

One change which the gro would very much like to would be a relaxation of minimum repayment requ ment of 15 per cent. or £6 posed under the controls, p ticularly if later this year Chancellor should decide, part of an economic package, ease the restraints on ins ment credit which were impo at the same time. Another c rent problem peculiar Barclaycard arises fr its dual function. Unlike other U.K. banks, which b *separate cheque guarantee ca* Barclays combines the cre service with a £30 che guarantee on the same piece plastic. For this reason, besi being a member of the V credit card group Barclaycar also in the Eurocheque in national guarantee system— Eurocheque, which is oppose having the two functions in card, has given the bank ultimatum to separate the by next October.

The announcement of monopolies investigation, th fore, has come at a time w the two big bank card gr have a number of anxietie deal with. Their welcome the investigation arises their hope that it wi clarify the impact of activities in a way wh feel, should be benefici their longer-term devel The nature of the inquiry ever, also means that it w of fundamental importanc only to the direct object o Commission's interest. relationship with retailers also in the wider charact the card business.

MEN AND MATTERS

As you were at The Irish Times

When things start happening on The Irish Times, they happen fast. Three years ago the newspaper's editor Douglas Gageby abruptly announced: "I've resigned as of three o'clock. Fergus Pyle will be here in one hour to take to-day's editorial conference." This week, with the same unceremonious speed, former editor Gageby is back in the chair.

Top-level shuffles, in newspapers as elsewhere, are usually a barometer of financial trouble, and The Irish Times is no exception. The morning paper is Dublin's prestige heavyweight, and given the Republic's 3m. population, its quality and vigour are remarkable. But sluggish advertising and sagging sales have turned it into a loss-maker. It recently parted company with its relatively new managing director and since 1974 it has lost over £1m., about one reader in every eight—and its independence.

In recent weeks the paper's three-year crisis has come to a head in a flurry of rumour and politicking that has matched similar goings on in Fleet Street. Journalists have openly challenged editorial policy, claiming the paper has "lost its authority and incisiveness," and the NUJ chapel militants voted through, and presented to the management, a critique so strongly worded that its contents were not generally released to the editorial staff.

Overshadowing the editorial question was that of the newspaper's viability. Since 1974 control of The Irish Times has rested with the Bank of Ireland, and although the bank has stepped in through a sense of social obligation to guarantee the paper as "an independent entity in perpetuity" it is growing restless as its obligations mount. It has even intimated privately that unless there is a rapid profits turn-around it might next year be open to offers to sell.

Under its elaborate deal with the paper's five former directors, the bank purchased all the preference shares for £1.65m. and set these up as a trust. But interest, let alone repayment, has not been forthcoming and the Bank's commitment has reluctantly increased to around £2.8m.

In mid-May, following a public Bank of Ireland expression of its "concern," an urgent memo was posted on notice boards around The Irish Times offices. Within 24 hours all copies were mysteriously withdrawn, but the memo outlined a 10 per cent. cost-cutting plan and 3 per cent. staff reductions and stressed: "This is our last chance with the bank."

Thanks to a 40 per cent. rise in advertising rates and a cover price increase from 12p to 15p, the paper is hoping that this year it may see a profit of £350,000 or more. But circulation this year dipped below 60,000 and the hope is that Gageby will restore it to the 70,000 peak he had reached from less than 50,000 in the Sixties.

Down the Drain

Insurance broker extra-ordinary McShrewd has pulled another fast one over the Death and Destruction Insurance company by cornering the attention of Drain travellers.

If the above looks complete gibberish it can only mean that you are neither a passenger on "The Drain," which carries 77,000 City workers daily from Waterloo to Bank, nor a follower of cartoonist Bill Tidy's Clan McCanny family.

Over the past two years Tidy, also the father of Private Eye's Cloggies, has penned a series of cartoon strips in which McShrewd extols the virtues of the Edinburgh based mutual life insurance company, The Scottish Provident Institution.

Broker McShrewd's timely advice on the policy needed to keep young high-flyer McUptyte loyal to the McCanny Haggis company when rivals Acme Haggis were trying to entice him away, or indeed the help given on pension policies to McDense or on saving to McMiser has achieved the near impossible—it has made insurance look like fun.

Whether rival insurance men will be amused at McShrewd's latest exploit remains to be seen, however, for Scottish Provident have managed to corner all the 800 advertising slots available on the seven six-coach trains which shuttle a high proportion of the City's insurance men from Waterloo to Bank every day.

They ought surely to have insured themselves against such competition.

"Any advance for this rare item ..."

Happy birthday

There are infinite ways of celebrating a birthday. Few can be stranger however than organising 80 lectures on themes such as "Mass transfer from rising bubbles" or "Surface waves on thin, free, liquid films."

But this is precisely the way in which dozens of western scientists have decided to celebrate the 60th birthday of the Ukrainian-born physicist Professor Benjamin Levich. Unfortunately the Professor, a leading theorist on physical chemistry and hydrodynamics, will not be able to attend the birthday conference at Oxford this week, owing to the attentions of the KGB.

Levich is a member of the Soviet Academy of Scientists, but has been unable to work ever since he applied for a visa to Israel back in 1972. All attempts by his western colleagues to get him out have failed, the official reason given by the Russians being that he once had access to secrets.

So his colleagues, among them the Nobel Laureate Sir Derek Barton, decided to mark his 60th birthday with this conference, to which scientists from all over the world have been invited.

Among the invitees are 300 Russians, all of whom it appears have, by a strange coincidence, a prior engagement.

Observer

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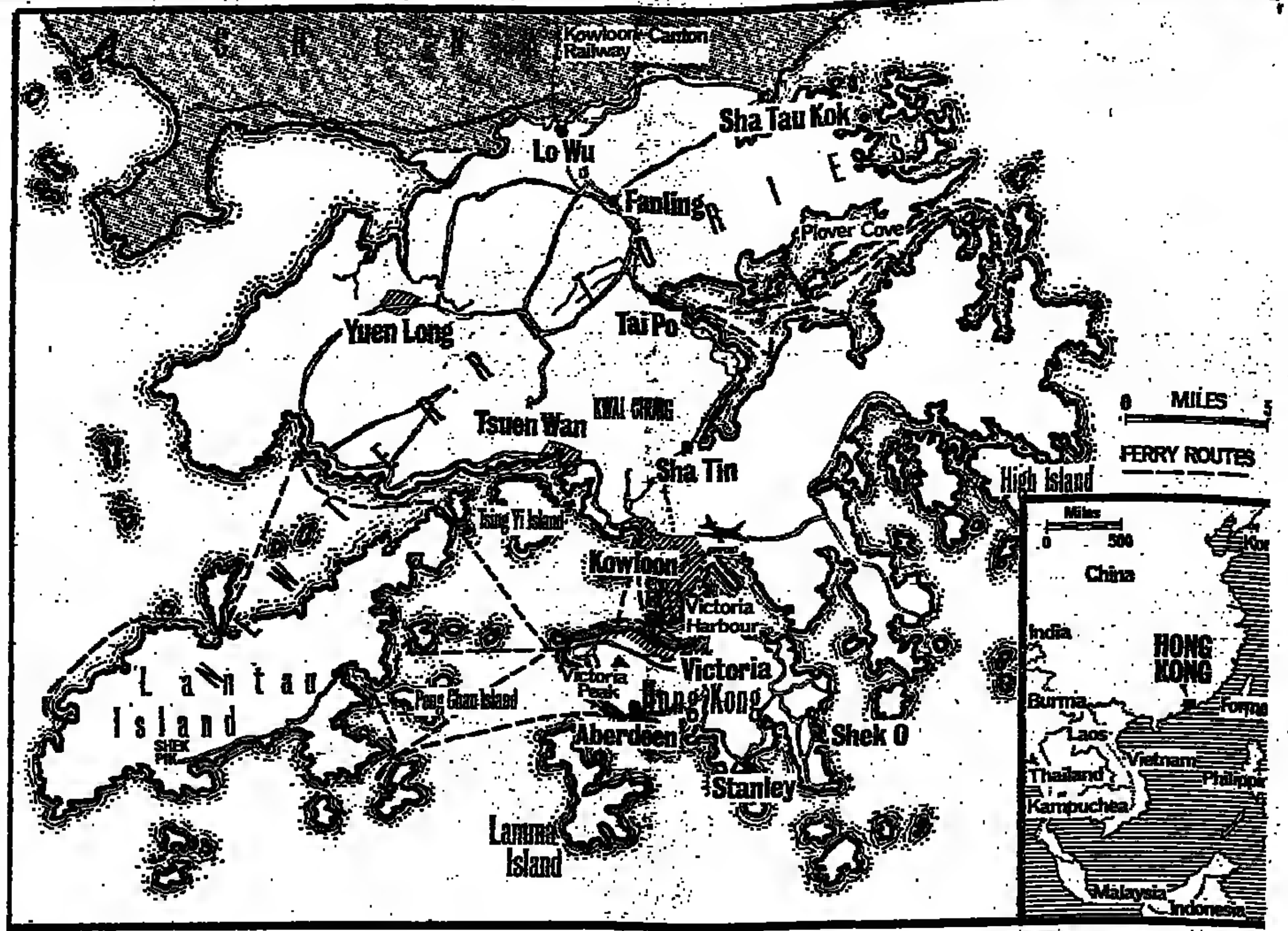
FINANCIAL TIMES SURVEY

Monday July 4 1977

Hong Kong

Hong Kong has recovered quickly from last year's recession and has also suffered few repercussions following the death of Chairman Mao. Its present preoccupations are with the pace of growth of world trade and with the effect that growing protectionism may have on its exporting industries.

A sense of relief



HONG KONG has long had to live with two fears. As an industrial centre with a population of 4.5m. people and exporting over 80 per cent. of its output, it has been saddled with the threat thet e major world recession could trigger off nnemployment and labour unrest on an unmanageahle scale. The second worry has been that the death of Chairman Mao Tse-tung could result in a repetition of the rioting during the Cultural Revolution ten years ago, with turbulence in China once again washing across tha border.

Instead Hong Kong has bounced back from the worst recession since the 1930s with a 16-17 per cent. growth in gross domestic product last year—unmatched among non oil prodncing countries. When Chairman Mao finally passed away in September, the Hang Seng index shuddered momentarily downwards—one of the few occasions of drama in an uneventful year on the Hong Kong stock exchanges—but otherwise the upheavals in China have had no significant repercussions.

Inevitably, overcoming with such ease what had once seemed formidable ordeals has left e sense of relief in a country that in any case feels vulnarable hecause of its lack of natural resources. It is e demonstration of the economy's resilience and, more important, that tha new leadership in Peking sees that it stands to gain from Hong Kong's continuing prosperity as a capitalist enclave.

Chairman Hua Kuo-feng has quietly let the British know that he is happy with the status quo—for how long remains e question—and also dispatched his minions to reassure the wealthy Chinese in Hong Kong of the continuing security of investment in real estate.

If Hong Kong does see grounds for enxiety, it is over the course of future relations with Britain—the other leg in the tripod on which the Colony's stability is hased. This anxiety stems in part from an unnecessary sensitivity to hostile questions from British MP's, which are taken to reflect the views of Whitehall, and in part from the equally hothouse view that an economically enfeehled Britain will tire of Hong Kong ar nohble its dynamic and industrious industry. This has translated itself into the belief that the Colony—unahle fully to fend for itself—can no longer count on the mother country to defend its interests.

In the immediate future, Hong Kong's concern is over whether Britain will adequately argue its case in the negotiations over the renewal of tha Multifihre Agreement, which expires this year. Hong Kong feels that its textile and garments industry is threatened hoth by rivalry from such states as Taiwan and South Korea and hy the growing protectionism of the indnstrialised world. In the long run it amounts to a vague fear that Britain might be weak-kneed when the time comes for thrashing out with Peking the future of the New Territories after the lease expires in 1997.

The sharpness of the recovery last year was a remarkehle performance hut one thet would not have been possihle without the equally dramatic fall in wages and employment during the slump of 1974-75. At the worst one in six were out of work, with waga rates 17 per cent. below their peak of March 1973 and real earnings much lower than that. The result was a great deal of hardship, mitigated only by the readiness of the Chinese to share out the burden through shorter working hours.

A panicky Government, alarmed at the size of the hudget deficit, did nothing to help by cutting back on public expenditure.

But if the slump hit more deeply than elsewhere, it was also more shortlived as the reduction in industrial costs fast restored Hong Kong's competitive position. Thus when the first hillowing of demand emerged in the United States in 1975, Hong Kong was able to catch it in its sails end surged forward to a 43 per cent. increase in exports in value terms for 1976.

Turnabout

This rapid turnabont is seen by some officials and most manufecturers as justification for Hong Kong's *laissez-faire* gospel of allowing wages and employment to swing with changes in demand. But there were signs in this year's budget speech of Mr. Philip Haddon-Cave, the Financial Secretary, that the Government bas come to believe that the social price of rigorously applying this policy is unacceptably high.

Certainly it would not be possible in eny country accountable to an electorate or one which faced the risks of a *coup d'etat*. Nar would it be possible withont the active support of Peking, which effectively gags the communist Federation of Trade Unions in Hong Kong against any form of protest which jeopardises the expansion of trade in favour of rising living standards.

What the Government seems to he heading for in its planning until the end of the decade is a steady 10 per cent. a year increase in public expenditure, and of hringing this up as a proportion of GDP from 16 to 20 per cent. This does not amount to anything as rash as a conversion to Keynesian counter-cyclical measures. But it should have the effect of ironing out some of the "surges and pauses" that heve heen a feature of Hong Kong's economy in the past, and in particular take the sharp edges off the repercussions of any downturn.

The prospects this year, however, are of the economy operating close to capacity—in spite of considerable slack in the textiles and garments industry in the first quarter. Earnings have probably passed their 1973 peak again, unemployment is down to about 4.5 per cent. and inflation is running at over 6 per cent., or almost double last year's level. The official expectation is of a 6-7 per cent. growth rate, which is in line with the trend over the past decade but not as spectacular as rival Taiwan or South Korea.

Unlike these states, however, Hong Kong does not have a pool of surplus labour or of workers in low productive industries which still gives them the potential to make quantum leaps in GNP. In fact, the growth in the labour force will decline to 1 per cent. in the early 1980s from its present level of 3 per cent. becanse of the quirks in Hong Kong's demographic chart produced hy the mass immigration of tha 1950s.

Hong Kong *also suffers from* the disadvantage of scarcity of land, which, together with the tight employment situation, will he further pushing up costs. Thus it will need suhstantial increases in productivity to maintain the same momentum of growth beyond the next few years.

Its strength in the past has been its flair for rapidly adapting to new situations and dodging between the major shifts in world trade to exploit the whims of fashion. Thus it heat off competition in textiles by shifting into higher qnality garments, rode high on such nnlikely booms as wigs and denims end diverted its electronics industry into more sophisticated products.

Hong Kong now stands well pleced to develop as a regional financial centre or, particularly if China should open up, to offer the tourist and husiness facilities to the growing volume of pilgrims heading for Peking.

It equally has the potentiality of reaping added value from the manufacture of precision instruments, light industrial products and machine tools.

Its continuing success depends first on maintaining its advantages of low taxation, freedom of exchange control, minimal bureaucratic controls and its superb infrastructure of port, air and telecommunications. As e major chunk of its labour force will continue to be employed in export-related industries it also depends on the flexibility to seize new market opportunities through low-cost production and fast delivery.

It is this flexibility that manufacturers now see threatened hy what they consider a meddling Government. When Sir Murray MacLehose took over as Governor in 1972—the first ex-Ambassador to be appointed to e job formerly a preserve of the Colonial Office—he set in motion e programme of reforms to maka good some of the often eppalling inadequecies in housing, education, social welfare and labour conditions. His first setback was the recession when the Government unnecessarily cut heck on public expenditure. It was followed last year, when revenue was running high, by a 26 per cent. shortfall in budgeted capital spending, which meant that the building of mnch needed schools and public works projects fell behind basically because of the plodding inefficiency of the departments concerned.

This year he has introduced a package of social welfare and labour legislation. None of it is very radical. The welfare measures include increased payments and para-medical and community services—a safety net against abject poverty which is at least a great advance on the dry rations of six years ago, which Sir Murray describes as "not suitable for a modern society, inflexible and somewhat humiliating."

Legislation

The labour legislation proposed increased severance pay, and the innovation of seven consecutive days of paid holiday a year. The result has been an outcry from industrialists. The electronics and plastics industries took out whole page advertisements in the local Press, denouncing it as being against the wishes of both employers and workers. To industrialists the main complaint is that such measures risk undermining Hong Kong's competitive position against the other low-cost countries of the Far East and South East Asia. With earnings already rising in the boom so that income per head in Hong Kong is probably second only to Japan in Asia, employers fear that each new concession will lead to further demands. Indeed in the past 18 months the labour hacked by what it considers e sympathetic Government, has become more conscious and insistent over its "rights."

But such legislation is in line with an inevitable trend towards growing Government intervention in the running of Hong Kong. The Government is having to take e more active role in allocating scarce land for housing and industry and into providing improved schooling and technical training. It is being drawn into regulating the financial markets, as is indicated by the recent appointment of a Monetary Commissioner. It is getting more involved with community problems through the enforcement of anti-corruption measures or day-to matters like higher standar public hygiene.

Much of this runs against freebooting traditions of H Kong, though the opinion the younger generation a the type of place they Hong Kong to be are chang But the labour legislation which has caused the gre controversy has run additional flak because i believed to have been imp by Whitehall. It coinc with a surge in the numbe Parliamentary questions down in the Commons a Hong Kong. From 151 year, the figure had alr reached 97 by May, this meaning that Hong Kong accounts for e twelfth of questions put down for attention of the Foreign O

Most of them come fro small group of Labour b benchers, either voicing fears of the British te industry and unions a competition from Hong K or pressing the case of mino Chinese interests who feel have been given inadeq compensation for compu purchases of land in I

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Capital spending falls short

AS AN industrial economy with a fairly high degree of efficiency in administrative matters, Hong Kong is often assumed to be rather remote from problems confronting developing countries. However, there is one area in which local experience very much parallels that of several modestly successful developing countries — an inability to develop quite as fast as it would like. This is particularly the case with public spending, an area where most countries have a problem of spending too much rather than too little.

Last financial year (April 1-March 31) Hong Kong's capital budget was, for the second year running, underspent by some 25 per cent. This underspending was the principal cause of a HK$800m. budget surplus. In itself, this surplus may have appeared relatively unimportant. The overall fiscal effect was contractionary, which was probably desirable under the circumstance of rapid growth in foreign trade, money supply and GNP then prevailing. It enabled the reserves to be boosted by some $HK800m.

However, the surplus did point to two very specific problems. First, that of implementation of capital spending programmes. If a country with free access to overseas as well as local expertise, no domestic resource constraints and adequate social and administrative infrastructure is incapable of meeting important capital spending targets, clearly it is very much more difficult for less well organised countries to do so. Second, countries such as Hong Kong, with their constant straining for growth, have a suspicion of consumption — particularly Government consumption. They naturally wish that capital spending should form as large a part of total spending as is possible. Yet at the same time, the inescapable fact is that capital spending constitutes by far the most flexible part of most Government budgets — at least in theory. So that, notwithstanding the implementation problems, capital spending can be readily adjusted to suit overall spending objectives.

Difficulty

In most countries, recession leads to increased capital spending by governments. In Hong Kong, the opposite happens. Thus when in 1974, Hong Kong was confronted with world recession and almost static tax revenue, coinciding with a big build-up in its planned programme of public works spending on housing, new towns and associated infrastructure, it chose to solve the difficulty by slashing the capital spending programme. But when, two years later, it saw itself in a position to move forward again, it found that spending was rather more difficult in actuality than on paper. Thus consumption spending has continued to forge ahead fairly steadily, while capital spending has moved in fits and starts — and mostly downwards. Thus capital spending in 1972-73 accounted for no less than 37 per cent. of a total general revenue account spending of $HK4.3bn. But in 1976-77 it accounted for a mere 21 per cent. of total spending of $HK8.2bn.

HONG KONG'S BUDGET

(HK$m.)	Budget 1976-77	Revised estimate 1976-77	Budget estimate 1977-78	1977-78 increase over 1976-77 budget	1977-78 increase over 1976-77 revised estimate
Expenditure					
Recurrent	5,289	5,401	6,236	+17.9	+15.5
Capital	1,923	1,441	2,008	+ 4.4	+39.3
Total	7,212	6,843	8,245	+14.3	+20.5
Revenue					
Total	6,857	7,340	8,285	+20.8	+12.9

SUMMARY OF EXPENDITURE

(HK$m.)	1976-77 Revised estimates	1977-78 Draft estimates	% Total	% Change
General services				
Law and order				
Others	791	952	11.5	+20.3
Economic services	559	718	8.7	+28.5
Community services	581	680	8.2	+17.0
Transport, roads and civil engineering				
Water	728	963	11.7	+32.3
Others	517	434	5.3	−16.0
Social services	201	273	3.3	+35.8
Education				
Medical and health	1,453	1,658	20.1	+14.1
Housing	662	781	9.5	+18.0
Social welfare	205	344	4.2	+67.8
Labour	368	433	5.2	+17.6
Common suporting services	30	27	0.3	+35.0
Unallocatable expenditure	353	393	4.8	+11.3
Other financial obligations	169	327	3.9	+93.6
TOTAL	236	262	3.2	+11.0
	6,843	8,245	100	+20.5

So while overall spending had nearly doubled, capital spending actually fell marginally in money terms by a substantial amount in real terms, and by almost half relative to gross domestic product. The Government has gone out of its way to hide this incredible development from the populace. And shortfalls in spending of budget appropriations are put down to short-term technical and staffing problems. But clearly the shortfalls are of such a magnitude that they are often assumed to be deliberate. The excuses put forward by Mr. Philip Haddon-Cave, the Financial Secretary, who has apparently discovered that it rains in Hong Kong from time to time, are not always taken seriously. No one in Hong Kong could reasonably believe that lack of implementation capacity and short-term problems can result in four successive years of declines in real capital spending by the Government.

This is quite a high figure for a developing country, and particularly one which has a low rate of direct tax, no customs duties at all and relatively few taxes on consumption. The answer to this lies in the very heavy dependence on property income. This comes about in a variety of ways, principally direct property tax, rates, profits tax on property companies and sales of land (the Government's principal source of capital revenue). Though it is not possible to break down the property income component of the direct taxes, at a rough estimate one could say that property totals approximately one-third of total Government revenue, and of that about one-third is accounted for by land sales. Clearly, the Government has a strong interest in seeing that land values and the incomes from them continue to rise.

Land prices and taxes (particularly rates) are a major source of grumbling in Hong Kong. A recent rise in rateable values, for example, was the cause of the biggest outcry against taxation that Hong Kong has seen for years.

Meanwhile, industrialists continue to complain vigorously about the costs of land and industrial premises, which, they claim, are inhibiting industrial development and diversification. The Government replies that it is now trying to help certain new and land-intensive industries by giving them access to land at below market prices. And it argues that land is in genuinely short supply and thus must remain expensive. It further argues that the rate of industrial development in Hong Kong does not argue that land costs have been a major constraint. Land may be cheaper in other countries, but Hong Kong has its own advantages.

Of course the answer is that Government capital spending has, if one includes the mass transit railway (MTR), been growing very rapidly in the past two years. But Government does not consolidate the MTR into its accounts, for reasons which are obscure. The MTR spending makes it plain that the Government is much less conservative in its spending policies than it sometimes makes out.

Radical

The MTR is in fact a radical departure for the Hong Kong Government, involving it in loan guarantees of some $HK5bn.—an amount roughly equal to one year's recurrent Government revenue.

But as a result, the Government has naturally been keen to curtail its own direct capital spending programme financed by the budget. This has led to a slowdown in housing and other public works, but it is loath to admit that original targets for the other areas are unlikely to be met.

Meanwhile, however, public consumption spending has continued to make steady headway so that total Government spending (excluding the MTR) has roughly kept up with growth in GDP. Last year Government consolidated spending was 16.3 per cent of GDP. After rising strongly in the early 1970s, it slipped in 1975 and 1976, but should recover this year to around 17.5 per cent. If the MTR were included, it would be around 19.5 per cent.

However, it is difficult not to come to the conclusion that the Government is excessively dependent on land and property revenue either for its own good or that of the public. The high costs of land have damaging effects on two major policies objectives in Hong Kong—improvement in housing conditions and diversification of industry. In addition it is leading to a situation where the gap between rents for Government housing—which now account for nearly 50 per cent. of the total—and the private sector are continuing to widen.

Curing the problem, however, will not be easy. The scope for increased direct taxes is limited by the fact that Hong Kong must compete with other nations in trying to attract, or at least hold on to investment. It has so far wisely steered clear of the tax holidays and other discriminatory incentives doled out elsewhere.

There is probably more scope for indirect taxation through taxes on consumption, charges for services and extraneous, but important, items like stamp duties. But though Hong Kong's revenue situation may currently look healthy enough, the demands on its recurrent spending budget are likely to grow heavier still as people's expectations for labour intensive services like education and health continue to grow more rapidly than GDP. Meanwhile, the tendency of revenue to grow more rapidly than GDP—the experience of the last decade—without the need of higher taxation rates may be on the wane. If so, Hong Kong will be faced with either substantial increases in tax rates; or heavy restraints on spending growth; or a substantial borrowing programme continuing after the MTR is completed.

Philip Bowring
Hong Kong Correspondent

Relief

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Kong. Such Parliamentary questions receive scant publicity here. In Hong Kong, however, they are front page news and establish an image of a Britain that as one observer put it "is hostile, ill-informed and basically malignant." Added to this is the resentment among officials and the business community that such criticism comes from a country that has singularly failed to manage its own economic affairs, as against Hong Kong's own record of success which is often thrust on a visitor with a self-defeating smugness. In such an atmosphere flourish ludicrous myths, such as that rateable values are being put up in Hong Kong to prop up an ailing British economy.

From this it is but a short step to believing that the Hong Kong Government is being dictated to by Whitehall, which in turn is kow-towing to protectionist pressures from the unions and the textile industry. Undoubtedly Whitehall does have to heed the pressures of its own constituency which includes MPs, reformist campaigners and the often unspoken views of Peking. It can influence the Hong Kong Government through the questions it in turn puts about budget allocations or the carrying through of particular projects. Undoubtedly, also, the Hong Kong Government has a great deal of independence in deciding both the shape and pace of its legislation. There is certainly no evidence to suggest the type of blanket dictation that is feared in Hong Kong.

But in the present mood of Hong Kong this belief in a hostile Britain is extended to the fear that Britain will grow "uninterested" in Hong Kong or even "withdraw." Indicative of the apprehensions on this score is that a number of major business houses recently commissioned a study on whether the winner or loser by Hong Kong. It concluded that the balance was equal.

Mission

In an effort to recapture British interest in the Colony, a number of steps have been taken. In May a basically political mission organised by the Hong Kong Chamber of Commerce was despatched to Britain under the leadership of Mr. David Newbigging, Chairman of Jardine Matheson, with a view to purchasing more British goods. Britain's share of the Hong Kong market has shrunk last year to 4 per cent. from about 10 per cent. in 1970 and the trade deficit has widened accordingly — though there are signs of an improvement this year.

A mission of textile associations arrived last month (June) to lobby the British Government to stand by Hong Kong in the allocation of textile quotas in the negotiations over renewing the Multifibre Agreement. Within the EEC countries, Britain was among those taking a hawkish view that would have had the effect of putting Hong Kong in the same net as a group of Asian low-cost manufacturers and assigning them a global quota. Shocked by the way Canada last year unilaterally abrogated parts of an agreement on textile imports, negotiated only a short while before through invoking Article 19 of GATT, which allows for imposing global import quotas, Hong Kong's textile manufacturers have adopted a more aggressive approach.

Equally Mr. Denis Bray, one of the senior Hong Kong civil servants in the Colony, has been appointed as the new Commissioner to the Hong Kong Government office in London with a view to selling Hong Kong's image in Britain and putting the Hong Kong's voice across in Whitehall departments.

No doubt this storm in a teacup will pass. Certainly greater imports into Hong Kong of British goods would help to make the case for Hong Kong's continuing value to Britain. But equally while Hong Kong is a British colony—and there are certainly no public voices to be heard in Hong Kong suggesting it should be returned to China—Hong Kong will have to live with continuing pressure from Britain for improvements in working conditions and living standards. Arguments that Hong Kong is superior in these fields to Taiwan or South Korea are going to carry little weight among public opinion in Britain, which sees no British responsibility for these states and certainly does not hold them up as ideals.

As for China, its economic stake in Hong Kong is said to be worth about $1.6bn. a year at the moment in foreign exchange earnings. Until the new leadership is more firmly in the saddle and has sorted out some of the country's domestic problems, it will have no wish to discuss the future of Hong Kong. From the standpoint of Hong Kong, the construction of the $7bn. Mass Transit Railway—the noise of which is making life hell in the island's busy Central District—is a signal to both residents and investors from abroad of the Government's conviction that there will be no interruption to the status quo for a good many years at least.

But by the early 1980s—if not before—the Government will want to embark on other major projects such as a new airport and new power generation and desalting plants. At the same time investors will want a bankable signal—not just a discreet nod from Peking—to reassure them that their money is not at risk. Thus pressure is already growing in the Colony for taking the initiative with Peking in a few years' time as to what will happen when the lease on the New Territories expires. The person to carry out the necessary shuttle diplomacy could well be Sir Murray MacLehose, who by then should have retired from his extended Governorship and is well trusted in Peking, London and Hong Kong.

David Housego
Asia Correspondent

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Much depends on world trends

AFTER RECORDING last year the best export performance in 16 years—a 43 per cent. increase in value terms in locally manufactured goods—Hong Kong officials are looking to a more modest rise this year of abont 15 per cent.

This is rougbly in line with the ceiling set by the size of the labour force. There is some slack in employment in the textiles and garments iodustry, but demand for labour is running high in plastics and electronics—as well as in the construction industry under the impetus of the government's accelerated capital spendiog this year. A 15 per cent. increase is also more than double the anticipated rate of growth of world trade.

Seemingly indicative of a loog-term bullishness about Hong Koog's economic prospects is tbe massive expansion of industrial floor space now under construction. As against the normal yearly average of 4-6m. square metres. 8-9m. sq. metres are being built this year and 12m. anticipated for next year—making the largest addition to industrial floor space lo the last decade. But for the moment the business community is more preoccupled with the protectionist harriers going up in the industrialised countries, and the competition from Korea and Taiwan, both of whom bave the advantages of lower lahour and land costs.

Concern about Hong Kong's vulnerability on this score is understandahle in a state wbere only 10-20 per cent. of manufactured output in consumed locally. More than in any other state in Asia, exports determine the pace of economic activity. When the value of exports actually declined by 0.2 per cent. in 1975, GDP rose by only 3 per cent., while the 43 per cent. growth in exports last year was matched by a 16 per cent. rise in GDP.

Not only is Hong Kong badly buffeted by the major movements in the world trade cycle, but it feels each flicker in the wind. The sharp falling off in shipments of goods and orders in hand towards the end of 1976 and in the early mouths of this year was a delayed reaction to the slowdown in the western economies (and particularly the U.S. and West Germany) in the middle of last year.

The garments and textiles industries were worse hit than others. At the end of March their orders in band on the basis of the Government index were well down on the equivalent period for last year. But the index for all products stood more encouraglngly at the same level — suggesting that the ground lost in exports in the first quarter should be regained by higher shipments later in the year.

Swings

Hong Kong's sensitivity to swings in the trade cycle is exacerbated by its dependence on a limited number of markets. In 1976 the U.S. took 34 per cent. of its $HK32.6bn. of exports (an increase in value terms of 53 per cent. on 1975) and West Germany a further 12 per cent. (up 40 per cent.). Britain, which used to be Hong Kong's second largest oiarket, was last year its slowest growing one, though still accounting for 10 per cent. of exports.

These three countries thus make up 56 per cent. of Hong Kong's market. If Japan, Canada, Australia and Singapore are added to the list, seven countries hought 69 per cent. of what Hong Kong sold overseas. The Trade Development Council, an active local ginger group especially in promoting the products of smaller firms, has got much excited of late over a large expansion of sales to the Comecon countries and the Middle East. But the volume is still small, with the Arab world now taking $1.1bn. and the Comecon states $117m.

The main flow of Hong Kong's gouds inevitably remains to the industrialised countriea of North America and West Europe where they are in competition with products from Korea, Taiwan and Japan and arouse the same protectionist sentiments.

Hong Kong had a nasty sbock in November wben Canada, sbortly after concluding a hilateral pact on textiles under the Multi-Fibre Agreement (MFA), decided to abrogate it by placing a global ceiling on most categories of garment imports and fixing this at 1975 levels. Local garment manufacturers were further taken ahack this year by the unexpectedly tough initial stance adopled by tbe United States in negotiations over tbe renewal of the MFA, wbich came into operation in 1974 and expires later this year. Agreement bas now heen reached with the U.S.

More worrying still was that Britain (which in part negotiates on Hung Kong's behalf) linked up with France in the prelude to the MFA negotiations by pressing for tbe EEC to switch from a system of bilateral to so called "global" quotas, wbich would effectively discriminate against Hong Kung by placing it in a special category of "cheap" Asian producers.

If the final outcome of the negotiations is a renewal of tha MFA in roughly its present shape, with tougher controls on certain products written into the fine print, Hong Kong will not be too unhappy. Its overriding fear is that restrictive precedents could he set of wide generality which would be difficult to unscramble later. Thus it felt that South Korea and Taiwan were laying up future trouble this year in entering into a voluntary restraint agreement on the export of footwear—whicb Hong Kong also produces.

Textiles

The negotiations over the MFA strike at the heart of Hong Kong's prosperity because garments and textiles last year accounted for 53 per cent. of exports, or a slightly higher proportion than in 1971. Hong Kong's domination as the world's largest clothing exporter has persisted in spite of oft-repeated predictions of the industry falling prey to lower cost producers and warnings in Hong Kong of the dangers of being so dependent on a single range of products.

Its recent success has been due to the dexterity with which manufactrers exploited the fasbion for denim in the West, chalking up large increases in sales that were an important factor in speeding the recovery from the recession. The switch into denim from other cotton fabrics has in turn reflected Hong Kong's agility in offsetting bigher costs by turning out better finisbed, higher quality garments — jackets, trousers, suits and shirts above all. The most striking illustration of this "trading up" has been the growing number of western fashion houses and houtiques that have bene attracted hy the high standards of workmanship into having their designs made up in Hong Kong.

But expensive fashion clothes are only for the few. Hong Kong sells for instance, a billion square yards of cloth a year to the U.S.—roughly equivalent to the size of its quota. The bulk of these sales must be pitched to the middle band of the market—which sets a limit to how much trading up there can he. But the massive size of the quota—initially negotiated at a time when Hoog Kong had fewer rivals—also provides a comforting protective barrier to the industry and has heen a further reason for its continuing success.

Nonetheless the slack in demand for Hong Kong wear whicb became apparent at the end of last year and has continued into tbis (particularly in the German and British markets) is prohably more than a temporary phenomenon. It is seen in Hong Kong as one of the signs of the indnstry having reached a plateau from which the only way is downward. The Government expects that clothing will drop back as a proportion of total exports from 46 per cent. at its peak in the first quarter of 1976 to its pre-recession level of 38 per cent. Orders for textile fabrics (which account for about 9 per cent. of exports) have fallen back more sbarply.

Employment in the industry — thougb still accounting for about balf the 780,000 working in manufacturing — started to decline in the final quarter of the year. Investment ia nff as well after the surge in machinery imports—especially open spinning frames — to meet the denim boom. Also the quota system, which covers over 60 per cent. of exports, wbile providing a protective barrier, also sets a limit on expansion.

In Hong Kong's nther export industries — dominated largely by electronics and plastics including toya — it has been the same story of companies who have upgraded their products gaining the most ground. Sales of watches leapt by 81 per cent. in value last year after an equally dramatic performance during the recession as the industry gathered the fruits of passing from making watch bands to assembling movements and then into the manufacture of electronic watches.

At the other end of the acale manufacturers of standard calculators have felt the plncb of competition from other Asian producers, with exports 40 per cent. down in the last quarter of 1976 in comparison with the first quarter as the world market became saturated. Profit margins have also heen squeezed in the more hasic plastics industries, such as tbose making plastic flowers or the simpler toys, wbo have found it particularly difficult to pay the higher wages caused by a tight labour market and new Government welfare legislation.

In his opening address to tbe Legislative Council in October, Sir Murray MacLehose spoke of Hong Kong'a continuing success being dependent on introducing higher levels nf technology and on increasing the skill of the labour force through further training.

The Government is belping tn finance new training programmes. At tbe same time it la getting more deeply involved in an industrial promotion policy —a recent and somewhat controversial departure for Hong Kong—by making land available at below commercial prices for selected categories of induatry.

One application of this has been on Tsing Yi Island wbere Dow Jones last year opened a HK$160m. polystyrene plant aa a back-up for the plastics industry on land bought from the Government by private negotiation. Sbipbuilding and repair facilities are also planned for the island on similar terms, including nne project to be financed by the People's Republic of China largely to service

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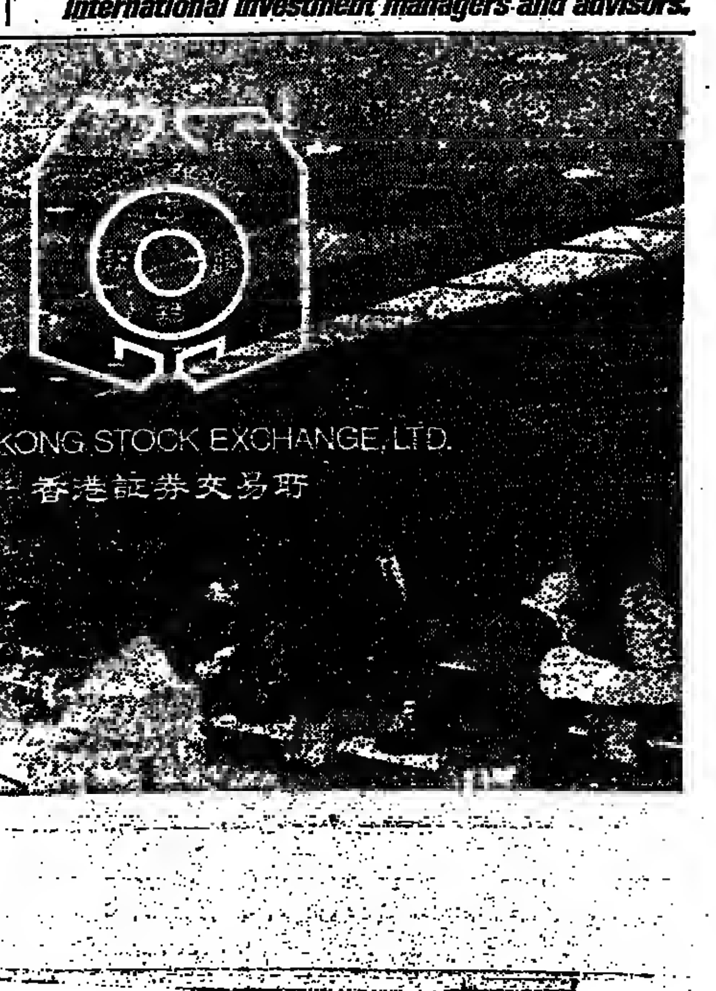
BASIC STATISTICS

Area	404 sq. miles	Trade (1976)	
Population	4.44m.	Imports	HK$43.2bn.
GDP (est.)	HK$23.6bn.	Exports	HK$32.6bn.
Per capita (est.)	HK$5.384	Imports from U.K.	£204m.
Labour force	1.9m.	Exports to U.K.	£440m.
Unemployment	4.4 per cent.	Currency	£1=HK$8.05



Assessment rules need redefining

FROM OVERSEAS, Hong Kong is sometimes viewed (usually with suspicion) as a tax haven. The characterisation upsets officials here who prefer to regard it as "low tax area." Clearly no modern industrial economy with 4.5m. people and Government revenues approaching £1bn. a year can be classed with tiny island States of a few thousand persons generating revenue from company registration fees, stamp sales and tourism taxes.

Hong Kong now finds itself in the peculiar position of being at once a tax haven and a victim of other tax havens.

For foreign companies there is clearly an advantage in using Hong Kong as a base. For those who prefer not to pay tax at all, third country business can be arranged by or channelled through a Hong Kong intermediary without, in most circumstances, being liable for tax here. For other companies it may pay to take their profits in Hong Kong and pay the local profits tax (17 per cent.) rather than face a much higher rate in some other jurisdiction. It is no open secret that there is a thriving business in back to back letters of credit whereby it appears that goods are shipped from, say, Australia to Hong Kong but in fact go direct to the Middle East, with the profit being taken here—on which tax may or may not be paid. Activities of this sort partly account for the size of the letter of credit departments of local banks, and the prosperity of Hong Kong's more sophisticated legal and accounting firms. The peculiar advantage of Hong Kong from this standpoint is that not only does it have excellent communications and backup services, but it has credibility as a destination for goods because of its huge volume of (real) foreign trade.

Indubitably, Hong Kong is for some people a tax haven. And Hong Kong benefits from the services it provides and from the tax it gathers from the voluntary payers.

But there is another side to this coin. The losses that Hong Kong's own revenue sustains from two central features of its tax which are an essential part of its position as a tax haven for others: no tax liability on profits of Hong Kong companies which are not derived from Hong Kong; and the total lack of exchange control. These particular hatches can of course be used by genuinely local companies to reduce, or even eliminate, their own tax liabilities.

The Financial Secretary, ever anxious to increase revenues but equally anxious not to spoil Hong Kong's position as a low tax area, nor devise new imposts for a population singularly averse to taxation, determined to try to do something about the situation. In true British style, he last year appointed a commission, headed by a former U.K. Inland Revenue Commissioner to study various aspects of Hong Kong's Inland Revenue Ordinance. Its brief was wide ranging, but included:

1—The possibility of a small withholding tax on dividends. This had originally been proposed by Haddon-Cave as an alternative to a profits tax rise (from the then 15 per cent. level) but had been rejected by the Executive Council. Apart from aiming at a modest degree of equity, it would have captured a small part of the overseas earnings of local companies.

2—The territorial ambit of the tax charge. The Committee was asked to look at possible new definitions of what was meant by "income arising in or derived from" Hong Kong with a view to bringing into the tax net various items alleged to have escaped as a result of court cases and developments in commercial practices. Specifically, it was asked to look at taxation of shipping companies.

3—The extent of liability to interest tax (interest tax being a peculiar Hong Kong animal but one based on the, not inconsiderable, logic that all sources of income — profits, property, salaries, interest—be taxed; but only once and at a near uniform rate.

Rejection

The dividend tax proposal was rejected by the Commission, largely on account of the complexity of laws and regulations that it would require, particularly given that it would have had to be accompanied by tax penalties on undistributed income above a given level. It was considered wiser to stick to the profits tax surcharge, even though that which puts profits tax 2 per cent. above the top limit of other direct taxes, probably could not be increased any further without raising the general tax level. Otherwise companies would evolve schemes for turning earnings into interest payments rather than profits.

Avoidance of tax for big Hong Kong companies with substantial overseas trading operations and offices is already rife because of the lack of exchange control and the fact that foreign earnings are not taxable in Hong Kong. The concept of "residence" is not applied in Hong Kong tax law. This was one problem to which the Commission addressed itself in examining the territorial ambit of the tax charge.

The problem has grown in recent years due to ease of communications, the proliferation of international tax havens and the spread of legal and accounting sophistries.

What the Commission tried to do in its recommendations was to bring within the tax orbit profits arising from actions taken in Hong Kong. It came up with a formula suggesting that "part of the profit" would be liable to tax where a business was "actively exercised" in Hong Kong and was "not substantially caused by the action of a branch outside Hong Kong."

The general reaction to this proposal, and not just from those with their own interests at stake was: "A good try but hopelessly vague." Some suggested that trading and marketing companies and banks which use Hong Kong as a convenient base, and sell from Hong Kong rather than to Hong Kong, would be driven away. But the most succinct comment came from a leading international firm of accountants: "What is certain is that if a way is found to legally define the proposal there will be some manipulation of the centre of management and a growth of separate tax haven companies to own beneficially the profits presently regarded as offshore." The Commission's proposal can be considered stillborn.

Curiously, though attempting to extend the territorial tax net for other businesses, the Commission made an exception of shipping, admitting that it was virtually impossible to tax the chartering profits of shipping investment companies which are owned and controlled in Hong Kong but whose ships belong, say, to Panamanian companies, are registered in Liberia, are charted to Japanese lines and managed (in theory) from New York.

Underlying all these questions of whether or not to try to tax are the questions of the State's ultimate gains and losses. There are the employment considerations of the various activities which are currently untaxed. And there are the gains from tax that might otherwise be due to other jurisdictions. Finally there is the fact that though Hong Kong may appear to be lowly taxed, its uniform rate and lack of tax holidays and other investment incentives put it in a relatively disadvantageous position compared with other developing countries.

The third main area studied by the Commission was interest tax. It recommended that the tax should be chargeable in respect of interest on any monies used in Hong Kong, whether or not the funds were borrowed in or originated from Hong Kong. This would mean that a local company which borrowed U.S. dollars on the Eurobond market would, if it used the proceeds in Hong Kong, have to pay tax on the interest payable in the same way as if it had borrowed funds locally. The logic was that the earnings to pay the interest was being derived from Hong Kong and therefore was taxable.

Critics of the proposal argued that direct tax was supposed to be tax in earnings in the hands of the recipient rather than a specific charge against a borrower. It was further said that companies with overseas activities would readily be able to arrange their corporate affairs so as to ensure that borrowings were made by foreign subsidiaries while Hong Kong operations were equity financed.

Liability

There is a very real difficulty in all this to which the Commission did not properly address itself. A state which has no exchange control, no tax on foreign earnings and does not use residence as a tax liability "definition" clearly has problems in collecting tax from internationally engaged companies. But the Commission failed to get to the heart of the matter and totally ignored one key area. It has for some time been known that large depositors can deposit Hong Kong dollars in branches of local banks in places offshore such as the New Hebrides. There, being free of tax, returns are rather higher than obtainable in Hong Kong—where interest tax is deducted at source. More recently offshore tax advantage practice has become more public.

Two big local companies, Jardine Matheson and Hong Kong Land, have made bond issues effectively denominated in HK dollars, but issued offshore and thus, under present rules, not liable for interest tax. This device had earlier been rejected by other companies with a greater appreciation of social responsibilities than that felt by Jardines and Hong Kong Land. The sight of large and very rich companies which owe their existence and success to the people of Hong Kong blatantly exploiting tax loopholes when tax rates are anyway very low is rather pitiful. But as much blame must go to the Government, which has been unable to make up its mind what to do about the situation. Not that its tax commission was much help in the matter. The Government has since had to appoint yet another body to look specifically at interest tax implications of bond issues.

In the end, Hong Kong is just going to have to have some new definitions of tax liability unless it is either to abandon direct tax altogether, or to operate the system in a way which gives even greater favouritism to certain big companies.

Philip Bowring

Trade

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ships chartered by the Chinese.

The second string to the bow is the development of industrial estates at Taipo and Yuen Long. So far 20 of the 180 acres to be made available at Taipo have been prepared, with the land sold at development cost of HK$45 a square foot. The criteria for allocation give preference to getting maximum value added through the use of high technology and skilled labour, and to industries unsuited to multi storey buildings. The hope is to attract companies involved in making such products as scientific instruments, engines, pumps, car accessories and specialised metal products—and, at the heavier end, possibly forging, casting and metal fabrication industries.

The policy is controversial because the hidden subsidy for land carries with it a hint of indicative planning. Critics say the Government should have acted far earlier in making more industrial land available, thus lowering its price and allowing the market to determine its use.

The pattern of industry to date has been largely determined by what can be made in multi-storey factories—hence the concentration on garments and light industry. Most businessmen foresee little change in this structure over the next decade. They believe Hong Kong's strength lies in its ability to meet rapid changes in consumer demand abroad, with a premium on quality and fast delivery. Traditionally the Chinese—who currently account for about 90 per cent. of local outlay—have been wary of embarking on ventures with large capital outlay.

Such versatility makes Hong Kong heavily dependent on an efficient infrastructure of air, sea and telecommunications, which are also an equally necessary backup to its entrepot and trade. Re-exports rose last year by 28 per cent. to HK$8.9bn. Total expenditure by tourists also rose by 26 per cent. to HK$3.2bn.

Overall the visible trade deficit dropped to HK$1.76bn., its lowest level for many years, and the main impetus behind the unwelcome 7.8 per cent. appreciation of the Hong Kong dollar against the U.S. dollar during the year. As against a 39 per cent. increase in total exports, imports rose by only 29 per cent., largely as the result of consumer spending lagging behind the rise in real earnings.

Japan and China continued to remain Hong Kong's main suppliers, cornering respectively 21 and 17 per cent. of the market. From Japan, Hong Kong acquires much of its semi-manufactured goods and capital equipment, while it is heavily dependent on China for foodstuffs. Britain's share of the Hong Kong market fell to 4 per cent.—which has caused more concern in Hong Kong than it has in London.

David Housego

Cutting out the bad bits

PEKING looks with a wary eye on any move towards a more representative government in Hong Kong. It has no wish to see its own Communist party build up too big a position of power for fear of the damage that could do to investment in a capitalist enclave so profitable to China. It is even more determined to keep out the KMT lest that gives Taiwan the foothold on the mainland that it has so long desired.

Peking's attitude thus rules out any democratic experiment—though there has been scant signs in Hong Kong of any interest in the franchise. The one elected institution is the urban council. In the March poll this year only 3 per cent. of the 300,000 eligible to vote bothered to do so—largely no doubt because the council's writ only extends to responsibility for public hygiene, cemeteries, city markets and other odds and ends.

But if Hong Kong must therefore remain a colonial anachronism, the way it is being ruled is slowly changing. Its administration is stretching its breadth through an increasingly ambitious programme of housing, social welfare, education and the regulation of working conditions. It is also increasing its efforts to make government more accessible, to sound out public opinion and to encourage debate before decisions are taken.

A pointer to the change in attitude has been the success of the Independent Commission against Corruption (ICAC). While the Government made a show of keeping its profile to a minimum, effective power over much of Hong Kong during the late 1960s and early 1970s was wielded by well organised syndicates of corrupt officials. Mr. Jack Cater, the ICAC Commissioner, reckons on a conservative estimate that they made profits of about $HK1bn. a year. Most of this came from gambling or vice, but protection rackets also combed housing estates, shops, street hawkers, construction labourers, factory workers, while extorting as well large sums from building contractors or manufacturers.

Since the ICAC went into operation in 1973 it has received 14,000 reports from an increasingly emboldened public. Only 6,600 of these have concerned corruption, but this in itself is a sign that it has established confidence as a post-box for grievances. The proportion of those giving their names in registering complaints has risen in the four years from 29 per cent. to 50 per cent. For the 800 posts on its staff—mostly filled by young people—it has received over 25,000 applicants.

Mr. Cater has called 1977 the "crunch year" for breaking the corruption syndicates, evidently feeling that the ICAC is gaining the upper hand. Currently under surveillance are 29 syndicates, *of which 22 are in the* police. An indication of the scale of the corruption is that detective sergeants were ready to pay $HK25,000-$HK30,000 for transfer to one of the "best" areas reckoning to get this sum back in three to four months.

But syndicates have also been operating extensively in the Public Works Department, the Labour Department, and the New Territories Administration.

A further sign of a more spirited attitude towards authority has emerged in the labour tribunals. Three have been set up in the last two or three years—the most recent only eight months ago—to hear disputes between workers and employers. They are all overloaded with cases. According to Mr. Raymond Fung, an official of the Christian Industrial Committee which has been one of the organisations most active in fighting for improvements in Hong Kong's often appalling labour conditions, "factory workers go laughing into the court. There is not that old sense of bitterness," he says.

But the most significant of the changes that has occured was Sir Murray MacLehose's decision last year to enlarge the numbers of Unofficial Members of the Legislative Council (UMELCO), by recruiting *seven new members from out*side the traditional orbit of Hong Kong's establishment of major trading houses and industry. UMELCO has no direct powers but it is an influential advisory body. Until last year it functioned, as one of its long standing members put it "as a tight club" that could on most occasions blackball government proposals that it did not like.

Priest

Among the new members who have been brought on to make UMELCO more representative are an official of a civil servant's union, the superintendent of a bus depot, a Catholic priest long involved in improving labour conditions and two women—one of whom is well respected among the new young, professional class of Chinese technocrats. None of them are very radical and none could claim to be a spokesman for labour.

But the result of their joining has been to give the government allies in getting labour legislation it wants. It has also created what might be termed an opposition to the establishment. Perhaps most indicative of all that this is not simply a paper reform, industrialists clearly feel that whereas they were partners in government before, they now have some difficulty in making their voice heard.

The significance of the widening of UMELCO's membership has not yet fully impinged on the public. The fortnightly meetings of the full Legislative Council are open to anybody to attend and the press *is free to* publish the debates. But these are lifeless occasions with speeches prepared in advance and none of the spontaneity and argument that goes into the informal meetings. Perhaps as a result of this, UMELCO—unlike the ICAC or the labour tribunals—has not caught public imagination as a lobbying point for grievances. It is meant to act as an Ombudsman for Hong Kong. But the number of complaints it has received has stuck pretty evenly at just over 3,000 a year for the past three years. Most of them are trivial in relation to UMELCO's powers to summon evidence from government departments.

One way to promote it as a vehicle for greater public participation would be to break away from the rigid formality of the fortnightly meetings and allow spontaneous debate and spontaneous questioning of officials.

Not too much should be made of this move towards wider consultation — though likewise it would be wrong to ignore that there is now more debate (reflected in and often generated by the media) about Hong Kong affairs and less timidity towards authority. The gap between government and life in the crowded blocks of flats that line Hong Kong island and Kowloon is still immense.

Many of the measures that have been taken to reduce it or to encourage wider participation have had little effect. Hong Kong has some 180 advisory committees designed to make government aware of the views of particular sections of the community or of different interest groups.

But the same people tend to get nominated to a host of committees and they represent the same privileged viewpoint. The 10 Community Development Officers, even though they are backed by an extensive full time and volunteer staff, are still too few in number to make the type of "grass-roots" contacts for which they were originally set up 10 years ago. Equally the Mutual Aid Committees — a type of vigilante group recruited from households living in the same apartment block to protect their security and look after common amenities — are patchy in quality.

Against this, the government's more ambitious programmes are being backed by an expansion of the civil service whose establishment (including doormen and cleaners) has grown from 50,000 in 1960 to 117,000 this year. That still means only one civil servant for every 37 people which can hardly be called extravagant staffing.

The impact of the corruption probes on the civil service has been mixed. In the Public Works department — never the most dynamic in the government—the pace of putting projects out to tender and getting contracts signed was slowed down as officials hesitated to put their names to documents that would obviously come under scrutiny by the ICAC. This was certainly one of the factors that led to the heavy underspending in the budget last year and the backlog of uncompleted work that it has left.

In this instance, the investigations have been detrimental to efficiency. But there is certainly less use of inferior materials or of cutting corners in the completion of a contract and that helped fund the payment of commissions. Thus the public get a better deal.

Confidence

There is also more public confidence in the police, which after the initial blow to morale, has been strengthened and is giving the ICAC a great deal of co-operation. Elsewhere the clampdown on the major corruption syndicates has gone hand in hand with revising the procedures that enabled corruption to flourish and making senior officials more accountable for what happens in their departments.

Civil servants who say that it was possible in the late 1960's and early 1970's to be in a supervisory post but not be aware that a corruption network was being operated from the next room equally concede that the scale of corruption had a shattering impact on the life of the ordinary citizen.

Now that a family does not expect to have to pay out protection money to syndicates from the police, the Housing Department, the Labour Department and whoever else could swindle them, this has inevitably generated more trust in the civil service and thus enabled it to operate more effectively.

Its main problem now is that it is in danger of biting off more than it can chew. Thus over zealous officials recently closed down a batch of nursery schools as being below standard. They realised too late that for many of the children there was nowhere else to go.

D.H.

Popular man in charge

"THE GOVERNOR must be an activist. People here want that. The danger in Hong Kong is that in the absence of an electoral process as a stimulus for ministers and officials, the Government can become complacent and stagnant. Hong Kong needs someone who stimulates." So says the incumbent, Sir Murray MacLehose, who has been given an extra year at Government House. He will, in November, 1978, leave a Hong Kong drastically different from the one he took over in 1971, and evan more changed from the one he knew as political advisor seconded from the foreign office 16 years ago. His prescription for a good Governor suggests that his own diplomatic Whitehall and Westminster experience are all helpful.

Sir Murray MacLehose, Governor of Hong Kong.

But Sir Murray himself is above all an activist. He has helped Hong Kong change with the times. Gone from the Governor's vocabulary is the word "colony": it has connotations irrelevant to Hong Kong, he says, a territory held by consent and mutual agreement of China, Britain and the people of Hong Kong. Sir Murray, perhaps more than any previous Governor is liked by all three. One leading contact with the mainland told me recently that China will have to undertake a major review of Hong Kong policy when MacLehose leaves. The implication is that China fears any new Governor may prove less capable of keeping Hong Kong on the tracks.

The Governor takes a more modest view of his impact on relations with China. Although he dealt extensively with Peking as political advisor in the early 1960s, he now has little direct contact. But as Governor he has stayed tuned to China's preoccupations. One is the Hong Kong economy. "If there was a permanent decline, it would hurt China's own foreign exchange earnings and trading facilities," he says. "Hong Kong's value to China would diminish." China also worries about Russian and Taiwan activities—under Sir Murray the Government has dealt firmly with those activities in Hong Kong, a fact not lost on Peking.

Many businessmen in Hong Kong feel that China's relaxed attitude on the territory may be seriously undermined by growing sentiment at Westminster from some backbenchers that Britain should simply get out of Hong Kong. According to Sir Murray, this has never been an alternative for responsible British are generally more tolerant than most in Hong Kong of criticism in the U.K. "As for the grounds of left-wing criticism, I know there is still considerable undergrowth of social and economic inequalities to be cleared away," he admits. "But we are well on the way."

In fact, Sir Murray is best known to outsiders for his consistent attacks on poor living conditions and the first major steps taken during his administration towards social welfare and improved job conditions.

"Some call Hong Kong Dickensian," he says. "But now 45 per cent. of the people have public housing and in the next five years it will go to 66 per cent. There is wide access to education at all levels. Medical help is provided at less than the cost of national health in the U.K. This is not Dickensian."

At present the Government is working out reforms to labour laws which, according to the Governor, "are the minimum I personally think necessary. It's unreasonable to leave the labour force so unprotected." And by the end of this year, Sir Murray will present a White Paper on social welfare and social security. "Social development has been on a piecemeal sort of basis," he admits, and the White Paper will attempt to lay the foundations for major social reform without, at the same time, cutting into Hong Kong's ability to attract investment.

For if Sir Murray has held the confidence of Peking, London and, it appears, the Chinese community in Hong Kong, he has done so without losing the confidence of the Chinese or European business community. "There is a reserve of taxability, but if you put taxes up too high, many companies will find it cheaper to operate somewhere else," the Governor warns. "So far, we have greatly increased the public sector without very big increases in taxation. And at the projected 6 per cent. annual growth in coming years, he says, the balance can be kept.

Douglas Ramsey

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Scope for greater growth

THE PAST YEAR has continued to illustrate Hong Kong's capacity for growth and innovation in the financial sphere. But it has also continued to illustrate its capacity for pettiness, incestuousness and a slickness more associated with the world of the used car salesman than an aspirant to the big league of international financial centres (though post-Chiasso, that remark may seem a trifle unfair).

On the established Hong Kong principle that good is often done only when it has been preceded by some scandal or disaster, progress is being made. There is now a fairly immediate prospect that the city's four stock exchanges will finally agree to a merger proposal in the not too distant future. The government, through the Securities Commission, had quietly been pushing this for more than a year. But it took an unseemly episode earlier this year for the financial secretary Philip Haddon-Cave, to publicly suggest that if the exchanges could not behave in an adult manner and move towards voluntary amalgamation, the government would do the job for them.

Haddon-Cave's remarks followed a public row when Francis Zimmern, the chairman of the Hongkong Stock Exchange, the oldest but now only third largest of the four, started merger negotiations with the Far East, the biggest exchange. This was seen by some as a manoeuvre to isolate the Kam Ngam exchange—number two in the league. But Zimmern's colleagues would not buy the idea and he was dumped in favour of Mok Ying-kee.

When this will actually materialise is not clear, but the process is now irreversible. Progress towards it has undoubtedly been helped by the continued relatively low level of turnover. The good old days of 1973, when stock exchange combined turnover hit $HK48bn. Since that time, it has varied between $HK10bn. and $HK13bn. annually and shows no signs of a major increase. A unified exchange should do much to facilitate large lot trading, improve technical efficiency of the market, and ensure higher and more uniform listing and procedural rules.

Boosted

Meanwhile too, the Securities Commission has boosted its staff and is now in a better position to inspect (and change) prospectuses, investigate insider trading and try to prevent the emergence of false markets.

The Commission has been criticised by brokers and bankers for not knowing enough about how markets actually operate, and for interfering too frequently to suspend trading. There may be a little in what the critics say. But complaints are often so self-serving that they indicate why the Commission is badly needed. Insider trading remains rampant. For example the announcement last month of a merger between Hutchison International and Hong Kong Dock was proceeded by a huge flurry of trading. Lesser flurries have preceded almost every other substantial such announcement in recent memory. These flurries may be attributable to leaks by clerks, secretaries and translators, rather than to insider trading at the top. But who can blame these lesser lights when Mr. John Marden is still chairman of Wheelock Marden, still sits on the Board of the Hongkong and Shanghai Bank, is still a pillar of "respectable" colonial society?

It will be recalled that Mr. Marden and a fellow Wheelock director sold more than $HK60m. worth of shares between the publication of a modestly optimistic statement and subsequent revelation of huge profits drop, dividend cut, write-offs and liquidity problems. This fact was discovered after months of intensive search by the Press and the Securities Commission. Though Marden was exonerated by his Board, he was not by the Commission, which noted that he could not be charged under any existing law—meaning that the insider trading clauses originally included in the securities ordinance have yet to be activated.

Wheelock Marden was subsequently involved in another amazing episode. Two major companies, Hongkong Land and Hutchison, both announced their interest in bidding for Wheelock, but after several weeks cried off because Wheelock proved unable or unwilling to come forward with sufficient information to establish to the satisfaction of the potential bidder what it might be worth, and reasonably satisfy them that there were no further skeletons in its cupboard.

Many of Mr. Marden's colleagues on various Boards are opposed to enactment of legislation against insider trading on the grounds that it would not be "practical." Perhaps not. But until such persons show by their actions some genuine distaste for insider trading, it is difficult not to assume that their attitudes are also self-serving.

Persons who point to these sores on the body commercial of Hong Kong are sometimes assumed to be woolly minded socialist trouble makers. However true believers in capitalism might be more shocked by the sort of arrangements which sometimes go on at the top of the Hong Kong commercial pyramid. Not for them free markets and open competition. If that existed, many would have had their throats cut years ago.

Revolt

But things do change. Recently, there was a revolt by other banks against the hegemonism of the Hong Kong Bank in respect to interest rate policy. Other members of the Exchange Banks Association, the cartel of leading banks, refused to go along with the Hong Kong Bank in an across the board rate reduction, the justification for which was debatable.

The Hong Kong Bank, with its subsidiaries, control about 50 per cent. of local deposits. So the 71 other banks have a long way to go before they break the stranglehold.

Clearly, the HK Bank does have, and does fulfil, broader responsibilities as a result of its dominant position and its role as banker to the government and effective lender of last resort. But the main threat to its hegemony could come not so much from other banks but from the government itself. Government seems to be moving, very slowly but surely, towards the idea of a monetary authority. Last year it set up a Secretary for Monetary Affairs, a job which primarily involves operating the exchange fund and the government's portfolio of foreign assets, and advising the Financial Secretary on monetary matters. But herein lie the seeds of an ongoing monetary policy, implying active intervention to influence interest rates and money supply. Such a process would naturally create greater distance between the Government and the dominant bank.

Meanwhile a modest challenge to the local capitalist banks may be coming in the form of greater co-ordination among the Communist banks through a computer network which would allow them to provide much better services than at present and perhaps make a more aggressive bid for deposits.

Meanwhile the finance companies have been making headway again, drawing some business away from the banks. This process has been helped by the easy money conditions of the past 18 months. It has led to demands from bankers for greater regulation of the finance companies to reduce their competitive advantage. However, while the freeze on banking licences continues, it is unlikely that the government will take heed of the lobbying.

Not that the banks can complain too much about their situations. Almost all of them had good profit increases last year, with the Hang Seng reporting a massive 30 per cent. rise. And though low interest rates and lower rate of deposit growth will affect business this year, they have little to complain of. Last year deposits leapt by 21 per cent. to HK$44.0bn. This year the rate has been much slowed, with only 4 per cent. growth in the first four months. The slowing may be partly attributable to the very low short term interest rates discouraging capital inflow. But a bigger factor has been the sharp turn around in trade, resulting in a record deficit in the first four months, compared with an unusually small one during 1976. The deficit has also resulted in some weakening of the HK dollar, or at least stabilisation, after a sharp rise in 1976. The peak was reached in January this year when the trade weighted gain against Smithsonian parities reached 15.5 per cent. The 12-month gain was 7 per cent. But since then it has dropped back a couple of per cent.

Reluctance

Meanwhile domestic lending has gathered speed after being weak for much of 1976, partly due to the high profits made then, and partly to a reluctance to spend. Recently, however, loans have been growing faster than deposits helping to eat into the liquidity ratio. This ratio has in fact been gradually declining since a peak of 50 per cent. in February 1976. By April this year it was down to 43 per cent. However much of the decline can be attributed to a relative shift in business. After very rapid growth in the three preceeding years, offshore business booked through Hong Kong banks has slowed markedly. As much of this business is short term interbank, when it grows more rapidly than domestic business, it tends to increase the liquidity ratio—and vice versa.

The high rate of domestic Hong Kong dollar liquidity has, perhaps belatedly, spawned the offshore Hong Kong dollar bond market, inaugurated with three issues totalling a massive HK$650m. between late April and mid-May. These to some extent originated from the fact that for a long time there were no public calls on the Hong Kong capital market. The Mass Transit Railway raised HK$500m. in bonds in early 1976. And very recently the public flotation of Swire Properties raised HK$150m. from the public. Otherwise things have been very quiet. Anxious to create business merchant banks looked to the World Bank and the Asian Development Bank as possible borrowers. But the failure of the government to make up its mind on whether or not they should be allowed exemption from interest tax closed this avenue, at least temporarily. So instead the merchant banks turned to the somewhat devious device of promoting the issue of Hong Kong dollar bonds offshore, thus apparently making them free from interest tax. Two local companies, Hong Kong Land and Jardine Matheson came to the market in this way, as did Manitoba, a province of Canada.

The offshore bonds are a rather extraordinary business, relying as they do on the government's inability to make up its mind what to do about the manoeuvre, which has grave implications for the tax system, and for monetary policy.

Unstuck

It was viewed by many local observers as a piece of rather sharp practice on the part of the bankers and the borrowers. But it did come unstuck—at least in respect of the local borrowers who were using it simply for tax avoidance purposes in one important way. Such was the competition between the two major merchant banks, Jardine Fleming and Wardley, that the market was over-saturated. Substantial portions of the issues are believed to have ended up in the portfolios of the underwriters. And in the secondary markets, all three went to discounts. Numerous foreign bankers here were highly irritated by what they regarded as the amateurish way in which the issues were handled.

What the bonds did not prove or disprove was whether or not Hong Kong has a semi-permanent surplus of capital. Or whether there is any real demand in international markets for Hong Kong dollar paper. High liquidity may have given a somewhat false impression of a sustained capital surplus. And as for the Hong Kong dollar, there are doubts as to whether it should be internationalised in this way, even assuming that foreign markets want it. As for foreign borrowers, their reasons for wanting to borrow a currency which has shown a strong tendency to appreciate, if erratically, can only be guessed at. Medium term borrowing here is not particularly cheap considering the exchange risks that such as Manitoba face in borrowing here.

Meanwhile the commercial banks have been having a field day with the Mass Transit Railway arranging loan syndications in Hong Kong dollars. The banks are getting upwards of 1.5 per cent. over the local best lending rate. Even considering that these loans are for medium term, that will be remarkably profitable for the banks. And the loans are mostly government-guaranteed. The MTR is expected to come to the bond market again some time this year, presumably with a wholly domestic issue, not a tax avoidance offshore one.

While local bankers have been looking to the MTR as one major outlet for their funds—and also to the local property market as demands for house purchase finance have risen strongly—the foreign bankers who use Hong Kong, primarily as a base have been having a relatively quiet time. The number represented here, either through representative offices or finance company associates, has continued to expand slowly. (Loans arranged by these bankers for the region may be booked through Hong Kong, or in other centres.) However though no figures are available, it seems that business has been a little slack. After the flurries which followed the oil price rise and the Petramina crash, Indonesia is now a fairly light borrower. The Philippines is restraining, or being forced to restrain, its increase in indebtedness.

And though Korea and, to a lesser degree Taiwan, has been in the market quite regularly the standing of these two has created considerable competition among the banks to lend to them. The same applies to Malaysia.

Compensated

For many banks, however, the relative lack of demand for term lending and big syndications has been compensated by the swift growth of trade and its short-term financing demands. And in Hong Kong itself, the growth of the foreign exchange market to the point where it now does a lot more than simply serve local needs, and of the gold market and potentially of the commodity market, have helped raise the overall level of financial transactions.

For the future the stock market may also be able to internationalise itself if amalgamation, and the activities of the Securities Commission, can reduce outsiders' warranted suspicion of its standards. And e market in foreign bonds could also emerge if the Government wished to encourage it by making some minor changes to stamp duties.

P.B.

CHINA

Peking happy with trade outlet

MOST SCENARIOS of Hong Kong are based on the premise that a change in the status quo will come from Peking. But despite the opacity of China's politics, there are indications that the real impetus for change could come from London.

There is an increasingly vociferous lobby of former Hong Kong civil servants, academics, British trade unionists and professionals who question the basis of Britain's continuing presence in Hong Kong as well as its record. Already their pressure has contributed to an acceleration in the pace at which living and working conditions are being improved.

Many would like Britain to pull out altogether but as with the Portuguese and Macau (though for different reasons) there is a major obstacle. China does not want an evacuation, and no British government would lightly spoil the excellent relations which are currently enjoyed with Peking, probably the best the two countries have ever managed.

The advantages for China are more easily quantifiable, and Hong Kong's continuing importance has been proved once again by the priority assigned on the mainland, despite the drought and other difficulties being experienced there, to ensuring that water, food and other necessities reach the colony.

By its acceptance of the status quo, China shows that it is happy to keep the Hong Kong show on the road, despite Soviet taunts of "the colony on the doorstep" and evident contradictions that no amount of dialectical rhetoric can explain away.

Hong Kong remains in its present form because it is useful and its absorption would cause political headaches of a kind that Peking does not need as it struggles to fulfil the rising expectations unleashed by the downfall of the "gang of four," and the promises of better times ahead that are implicit in the accusation that Mao's widow, Chiang Ching, and her associates, disrupted economic development.

Taunts

The dread deadline 1997, on which the outside world is fixated—the date in which the lease on the New Territories is due to expire—is not considered a major stumbling block in Hong Kong, apart from its effect on investor confidence. For a start, China does not accept the treaty on which the lease is based, so the deadline is arbitrary. If China wants the present odd relationship to continue, a way will be found to blur the issue, particularly if the present excellent relations between Peking and London continue.

Popular mythology is that when Peking is ready a telephone call will be made to the Governor's Residence—perhaps by then occupied by a leading light in the Chinese community—and Britain will withdraw discreetly, since the Hong Kong garrison might be helpful in quelling local street violence and supports a passably good amateur theatrical group but is in no position to throw back the Chinese Army. The overall concept of the scenario is correct—Hong Kong functions at China's will—but there is a strong head-in-the-sand element in the way it is argued. (And it reflects the importance which often is wrongly given to the local administration: the telephone call will be to London for Hong Kong's fate will not be settled locally.)

There is after all, a lot of money and, even more important, a lot of people at stake—many of whom have British passports, even if of the second-class kind. Many of them fled communism, most are probably proud of the way in which the regime has boosted China's prestige internationally but do not wish to live under it. If Britain does not clarify its responsibilities to the population the end to the whole improbable episode could be messy, although Peking has told the British Government that the resumption will be through negotiation.

London, however, is not keen to raise the issues with Peking for fear of sparking off an uncontrollable chain of events — Peking plays it down because of the benefits and because it has more pressing matters to deal with. And if there is one thing worse than a booming capitalist enclave on the doorstep it is the embarrassment of a foreign-administered territory without the benefits.

So the wheeling and dealing goes on, with Hong Kong still China's most important door-way to the world. Last year, exports of made-in-China products reached a record HK$2.4bn., 40 per cent. increase over 1975. In all, China earned an estimated HK$11bn. through Hong Kong last year, enough to cover some 40 per cent. of the mainland's imports.

Hong Kong sold China only about HK$25m. worth of goods in return, but is in the unusual position of welcoming the imbalance because it serves as a reminder that the status quo benefits the mainland as i as its anachronistic appen

The assumption to pow Chairman Hua Kuo-Feng had no demonstrable effe Hong Kong, and it seems t the colony survived the t lism of the Cultural Revol it can survive anything. conceivable that if the gets tough and Peking ne foreign policy adventure will not escalate out of the re-taking of Hong could provide a conv target. But the consequ would have to be weighed fully—not just the revenue but the potential for in gence-gathering and strategic use of the port i event of a war with the S Union, which would bealt blockade a British-run har Far more likely is the cont nse of Hong Kong as a rev earner to help meet expectation

Plant

The existence of the munist banks is an indicati continuing commitment, the establishment of machinery manufacturing on Tsing Yi Island, one pu of which is to modify main machinery which fails to the requirements of pote buyers in the region.

This sort of commitmer understood by eve the nervous businessman and i remove the cloud of uncert which would otherwise sti gather as the end of the cer approaches and inve drops of. It may be irony of the Hong Kong that to ensure Hong well-being, Peking will increase its own investm participation in the colo

Daniel Ne

EUROPE

Second biggest market for exports

THE EUROPEAN Community is, after the U.S. the second most important destination for Hong Kong's domestic exports. Last year, the EEC bought $HK9.2bn. of Hong Kong products compared with purchases by the U.S., the leading destination of $HK11.3bn. The EEC accounted for 28 per cent. of total domestic exports.

However, Europe is also — with the exception of Canada, which has taken to open flouting of the Multifibre Agreement procedures — the area of the world currently causing Hong Kong most headaches due to the desire of some members to introduce substantial modifications into the MFA — modifications which Hong Kong regards as being primarily aimed at itself and South Korea. This is particularly unfortunate as the EEC is the largest market for Hong Kong's major export, garments. Garment exports were worth around $HK5bn. last year against $HK4.5bn. for the U.S. (The U.S. on the other hand takes the bulk of exports of toys and electronic products.)

At present the European market is somewhat weak, and exports in the first quarter of 1977 were way below the peak levels reached in 1976. In consequence, the overall use of quotas in 1977 is expected to be down on last year — though in certain categories where Hong Kong is particularly competitive the quota situation is as tight as ever.

However, what is worrying Hong Kong is not so much the short-term position as the outcome of the Geneva talks on extension of the MFA, which expires at the end of this year. The talks were stalled for a long time by the inability of the EEC to agree a common front policy. They resume tomorrow.

The restrictionists within the EEC, among whom the British and the French seem to figure most prominently, have been pushing for variable growth rates, which would give the least growth to the exporters who are already well entrenched—and Hong Kong comes top of that list. Some EEC countries would also like to see the overall import growth varied according to the current degree of import penetration in the importing countries. As import penetration in the EEC is high, it would thus be able to claim lower growth rates.

Quotas

At present overall growth rates are set at 6 per cent. per year, but this is not an accurate indication of real growth as quotas are allocated for products in which a particular exporter may not be very competitive, so he cannot use it all. A certain amount of "swing" is allowed between quota categories but not by enough to ensure that overall quotas can be fulfilled.

Hong Kong appreciates the political problems engendered by the high degree of import penetration in some EEC countries. But, it also knows that the situation is very lopsided. West Germany, the U.K. and the Netherlands constitute almost the total EEC market for Hong Kong garments. The rest come nowhere, with Italy and France allowing in only a tiny amount. Though under existing EEC "burden sharing" arrangements, France, in particular, has big percentage increases provided for, its starting point was low. on textile imports. Until It has now imposed curbs very recently France also imposed some draconian restrictions on assorted other Hong Kong products (including some that Hong Kong does not make at all), which virtually eliminated their entry. The situation has now improved since a visit by the French Trade Minister last year and the opening of an office of the HK Trade Development Council in Paris. But Hong Kong which prides itself on being by far the world's largest importer of French cognac per capita, remains somewhat resentful of French attitudes.

The Germans on the other hand have always adopted a liberal attitude. And as more and more German traders visit or set up office here, Hong Kong trade with the Federal Republic is likely to diversify away from its current over-dependence on garments, which last year constituted 67 per cent. of total sales.

The EEC continues to run a substantial trade deficit with Hong Kong. Hong Kong's imports from the EEC totalled only HK$5.1bn. last year leaving a visible trade deficit of HK$6.2bn. (and larger since some EEC products are re-exported to other Asian destinations). The trade deficit is a natural result of the fact that most of Hong Kong's food and raw materials must come from countries closer at hand. The same applies to many industrial inputs such as synthetic yarn and fabrics, which are imported in huge quantities and mainly from Japan, China and other parts of Asia.

Europe ought to be a sell capital goods and c types of consumer goods Hong Kong market. Ho the achievement is patch U.K., though still the L European exporter to Kong saw its sales grow 6.8 per cent. last year, overall imports increased cent. West Germany, how was only slightly behind overall percentage increase sales of HK$1.3bn.

The third largest Eur exporter to Hong Ko Switzerland, thanks large the huge business in w (many of which are re-expo and movements for assembled watches. Of non-EEC countries in E Sweden stands out as a porter of Hong Kong mostly garments, HK$713m. Norway and A are also significant ga buyers—though subject t traint under MFA terms.

HONGKONG TRADE WITH EUROPE 1976

$HKm.	Domestic exports	Imports
Finland	87	13
Sweden	713	114
Norway	175	27
Denmark	273	121
Switzerland	662	1,139
Portugal	16	14
Austria	286	53
West Germany	3,995	1,309
Netherlands	755	390
Belgium and Luxembourg	256	445
France	369	459
Italy	321	474
Spain	99	41
Yugoslavia	7	7
Greece	43	6
Turkey	6	171
Iceland	5	nil
Ireland	39	7
Gibraltar	2	1
Malta	19	0.3
U.K.	3,285	1,715
Total	11,510	5,603

Planning for the population

THE MOST amazing development taking place in Hong Kong's New Territories region is undoubtedly a scheme to build three enormous satellite cities, or new towns as they are known in planning parlance, within the next ten years. The project, costing US$2bn., is designed to provide homes for nearly 1.5m. people.

Chosen for the colossal operation are Sha Tin, Tsuen Wan and Tuen Mun. Sha Tin, which means "sandy field," is a valley separated from Kowloon by a range of hills dominated by Lion Rock (1,624 ft) and Sugar Loaf Peak (1,220 ft). It is at the southern extremity of Tolo Harbour, and the Shing Mun River flows into it from the west. The present population is about 30,000, but people have lived and farmed in the valley since the Ming Dynasty (1368-1644) when the fertile ground, according to legend, produced rice that was taken 1,860 miles north to Peking for the Emperor's table. In recent years, rice crops have given way to vegetables and flowers. Light industry is scattered throughout the valley, the two largest interests being a cotton yarn factory and a dye works. The plan is that 500,000 people will live in Sha Tin.

Areas

Tsuen Wan, which includes neighbouring Kwai Chung and Tsing Yi Island, across the Rambler Channel, is on the south-west coast of the New Territories, 8½ miles by road from Kowloon. The town is surrounded by hills dominated by Tai Mo Shan, the highest point in Hong Kong, which rises 3,144 ft above sea level. Tsuen Wan means "shallow bay." When the New Territories were leased to Britain in 1898, the city's forerunner of Tsuen Wan's later industrial development were 24 factories, powered by water wheels located on the banks of the many streams coming down from Tai Mo Shan. It developed rapidly as an industrial centre, and now has many textile, clothing, plastics, metal products and electrical factories. The plan is to swell the existing population to 895,000 by building on reclaimed land and on terraces carved into the hills.

Tuen Mun is situated on the western side of the New Territories at the head of Castle Peak Bay, 20 miles from Kowloon. It takes its name from a fortification built there 1,000 years ago. The name itself suggests that the fort (tuen) was built on one of the channels (mun) between the major inlets of Castle Peak Bay and Deep Bay. Historians say such a channel would have been navigable in those times. In a more recent link with history, Dr. Sun Yat Sen, the founder of the Chinese republic, once resided in Tuen Mun in a house called Hung Lau, near Butterfly Beach. Here he held meetings with his comrades and drew up the plans for the overthrow of the Ching dynasty in the revolution of 1911. At the end of 1975, the population of Tuen Mun stood at 41,000 people, most of them relying on the cultivation of market gardens or working in cottage-type industries such as rattanware manufacture. In ten years it is planned that the population will be expanded to 486,000.

To understand why such vast changes are taking place, and why they are necessary, Hong Kong's overall population problem must be considered. Until the 19th century, Hong Kong was something of an Oriental backwater. Its sparse population lived in a scattering of small villages, maintaining themselves largely by fishing and cultivating the scanty soil.

Then, 19th century western traders were drawn by the lure of the Middle Kingdom. Prominent among them were the British merchant princes—the "tai pans." In 1842 Hong Kong Island was ceded in perpetuity to the British Crown under the treaty of Nanking at the end of the first of the so-called "opium wars." The Kowloon Peninsula was ceded in turn following the Convention of Peking in 1860. Then, in 1898, a further 366 square miles—comprising 281.5 square miles of mainland and 236 islands—were leased to the British Crown for 99 years. This area became known as the New Territories.

From the time Hong Kong passed into British hands, increasing numbers of Chinese began to settle upon what Lord Palmerston, the British Foreign Secretary, had disparaged as "a barren island, with hardly a house upon it." In 1841 about 12,000 people lived on Hong Kong Island. By 1859, the population had risen to 85,000, mostly Chinese. In subsequent years, political unrest on the Chinese mainland triggered periodic waves of migration into the British territory. In 1946 the population stood at 600,000. After World War II, Hong Kong experienced a tidal wave of Chinese immigration. Within the space of a year, people from China came across the border at the astonishing rate of nearly 100,000 per month. By 1947 the population had sky-rocketed to 1.8m., and Hong Kong was reeling under a massive refugee problem.

Slums spread up the city's hill slopes, creating appalling living conditions. The shanty towns had no electricity or sewage disposal facilities, few water supply points and minimal drainage. There was an ever-present risk of disease, and little protection from fire, typhoons and landslides. The inevitable disaster came on Christmas Eve, 1953, when a huge fire swept through a large shanty town on a hillside in Kowloon, leaving 53,000 people homeless.

Agriculture

The New Territories, although largely mountain country, contain limited areas of flat land around the older settlements, and these until then had remained agricultural, supplying much of Hong Kong's daily market needs. Their development was largely hindered by the Kowloon foothills — which imposed a physical barrier to easy road communications — and by lack of major public utility services. Thus arose a paradox — although Hong Kong and Kowloon contain some of the world's highest population densities (population estimate is 4.7m. today), 88 per cent. of Hong Kong's 404 square miles, remained rural. The Hong Kong Government's decision to develop new towns in the New Territories, approved by the Governor-in-Council in October, 1972, was the first real planned attempt to breach the Kowloon foothills.

Taking Tuen Mun as an example of three, roughly US$750m. is currently being spent on new public housing, industrial sites and community facilities covering some 2,750 acres of land — about half of which is being reclaimed from the sea. Eight mammoth public housing estates are being constructed to house 344,000 people, or about 70 per cent. of Tuen Mun's ultimate population. All the estates will be self-contained communities with shops, schools, community centres, public transport facilities and recreational facilities. The PWD's Architectural Office has almost completed Phase I of the first estate, which itself bears witness to the size of the scheme — the first of 46,000 people earmarked to live there are expected to start moving in later this year. The Housing Authority will build the seven other estates, starting with Yau Oi and On Ting which between them will accommodate another 93,000 people. Work on this project will start in October, and the first 30,000 residents should have moved in by February, 1980. A few delays have been encountered, particularly at Sha Tin, which planners say have put back original schedules by more than a year, but the eventual objectives remain the same.

A clear indication of private interest in these new towns is that in Tuen Mun alone investment by the private sector will virtually match the $US700m. that the Government is pouring in. Twelve new factories have already been completed in the industrial zone, and no less than 21 others are under construction. Tuen Mun's isolation has also been a prime inspiration for one of Hong Kong's biggest-ever roadbuilding projects — a $US70m. six-lane highway linking the Tuen Mun/Castle Peak area with urban Kowloon. Up to now, access to and from Tuen Mun has been possible only by ferry or a one-hour drive from Kowloon on the old winding Castle Peak Road. When the first three lanes of the new highway, the Tuen Mun Road, are completed early next year, it will only take about 15 minutes to drive to neighbouring new town Tsuen Wan, on the outskirts of Kowloon.

Although not a part of the new town developments, Tai Po, north of Sha Tin, has also been expanding rapidly in recent years as more light industrial ventures are set up nearby, and additionally Yuen Long, north of Tuen Mun, and Fanling, near the Chinese border, have been singled out by the Governor, Sir Murray MacLehose, as areas whose facilities will be further developed by the New Territories Administration. Additionally, several resort projects are under way on Lantau Island, which is actually larger than Hong Kong Island, and the north of Lantau is being considered as a site for a new airport for Hong Kong—a decision on whether to go ahead with this idea is expected shortly. Development costs would be in the region of $US1bn., but planners say much of it could be reclaimed by selling harbour-front land where Kai Tak International's runway is now, to private real estate firms.

Bruce Maxwell

MACAO

Making its own way

MACAO HAS never quite forgiven Hong Kong for eclipsing it as a centre of Western activity in the Orient, and periodically announcements are made of large-scale projects for the territory's development, a tendency accentuated since the installation of the present Governor, Colonel Garcia Leandro, who has injected a feeling of change into the place but not yet succeeded in translating it into co-ordinated action.

Most of the schemes — like the proposal for a Disneyland on Coloane Island — never reach tha drawing board. A few —like the new power station— are built but contain fatal flaws and have to be bailed out. Some —like the 2.75km bridge linking Taipa with the peninsula— are toyed with for years, eventually implemented and prove successful. An airport is one of the more unlikely projects currently being bandied around, together with an even more-unlikely oil refinery and a more realistic pony-trotting track on Taipa, joined to Colaine by a 2.15km causeway. The airport could be viable only if Hong Kong decides not to go ahead with its own new airport, and the detailed discussions necessary between the administration of Macao and Hong Kong and the Governments of Britain, Portugal and China highlight one of the many anomalies of Macao's position — it has no official direct links with Peking, and neither does Lisbon.

Peking's slowness in responding to Lisbon's overtures on this score is irritating to Portugal's post-revolutionary leaders with their socialist credentials, and arises from China's nervousness of Soviet influence in Portugal and unwillingness to change the status quo in Macao, which could affect the benefits accruing from the financially more important Hong Kong.

For the same reason, Peking did not want Macao back when Portugal dacolonised after 1974. As a compromise, Macao formally became Chinese territory under Portuguese administration, with the rider from Lisbon that it should become self-sufficient.

Achievement

Leandro's first step towards attaining self-sufficiency — and his main achievement so far— was the renegotiating of the contract with the biggest of the three gambling syndicates, whose activities, along with textiles and tourism, are the mainstays of the economy and will remain so for the foreseeable future. Under the new ten-year agreement the syndicate will hand over HK$30m. a year to the Administration (gambling constitutes about one-third of total Government revenue), and is also committed to investing HK$100m. in the power company, ensuring the maintenance of rapid sea links with Hong Kong, looking after the berthing pier, dredging and maintaining a harbour channel, developing the outer harbour frontage into a residential/commercial complex, promoting sports events and fortnightly shows "of good artistic standard" and financing overseas information services.

Plans for the other harbour urbanisation were presented to the Governor in June and include construction of 3,000 flats, shops, offices and a school.

The three casinos, dog track and jai alai (pelota) stadium were the main draw for the 936,030 visitors who arrived in the first four months of the year (up from 864,529 for the corresponding period of 1976). Of this total, foreign visitors—defined as those not holding Hong Kong identity cards—totalled 193,658 (167,434).

Tourism's value to the economy is impossible to gauge because of the inadequacy of statistics. The director of the Tourism and Information Department, Dr. Jorge Rangel, estimates that the average tourist spends $US40 in his one day in Macao. But there is general agreement that tourism should be encouraged. The Information and Tourism Department is itself being reorganised, new regulations covering tour operators are being drafted, a US$1m. new ferry terminal is to be built to eliminate congestion, and a number of developments are under consideration. These include a HK$130m. resort on Coloane's Black Sand Beach, a HK$60m. trotting track and a hotel on Taipa. The Coloane project is backed by Macao's prominent business names—Ho Yin, chairman of the Chamber of Commerce and a spokesman for China's interests in the territory, Hong Kong businessmen Henry Fok and Stanley Ho of the gambling syndicate, and Lou Tou-Wo of the Seng Hing Bank.

The appearance of these names is no coincidence. Major investments invariably involve the same small influential group, and it would be desirable to let in new capital. Unfortunately, tha Administration is not geared up to giving guidance to investors. An inquiry can take years to be dealt with, there is a shortage of data and there is no plan to enabla potential investors to see whether their projects fit into the Government's priorities. This may be because the Administration itself has not defined its aims (does it want Macao to become a mini-Hong Kong or would it prefer to retain and capitalise on its easy-going charm?)

The most pressing requirement is for a set of rules and guidelines on taxes, facilities, concessions, priorities and site availability. Until these are formulated, only the most persistent developers will get their projects going.

Leandro has put much effort into sorting out currency problems and establishing a central bank, now due to be functioning by July 1, 1978. It will be a joint operation between the Administration (51 per cent.) and the Lisbon-based Banco National Ultramarino (49 per cent.), which has been the issuing bank in the territory since 1953. The way for the bank was paved by the April announcement that the Macao pataka would be allowed to float against the Portuguese escudo and linked to the Hong Kong dollar at an officially fixed rate.

It was thought that the 30 per cent. surcharge imposed by Portugal on Macao products would ba removed after the clarification of the currency link, but it is still there and has caused a number of small factories to cease production. Portugal's share of exports, however, is down to about 5 per cent., so overall the surcharge is not disastrous. In fact, first quarter exports totalled HK$284m. (HK$216m.) and imports HK$224m. (HK$262m.). These figures follow last year's record exports of HK$1.1bn. (up 65 per cent.), with imports of HK$997m. The performance is encouraging but fragile because of the economy's dangerous dependence on textiles (88.86 per cent. of exports in 1976). Basically, Macao buys from Hong Kong and China and sells to the EEC.

Daniel Nelson

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ELECTRONICS

Intent on holding its lead

"YOUNG MEN and women whose families may have been fisherfolk for generations come to us from school for training and soon are able to work to tolerances of one millionth of an inch," Mr. Hamp Marks, managing director of Data Magnetics, commented recently. "Our workforce is motivated, industrious and highly intelligent. We are vertically integrated, making many of our own components and materials, backed by R & D in Hong Kong and the United States. Our senior Chinese executives, most of whom have had many years' technical and management training overseas, act as the bridge between East and West. With these advantages, is it any wonder we chose to stay in Hong Kong?"

Data Magnetics is not typical — it manufactures computer beads and other components demanding very high levels of technology. But its reasons for staying are important at a time of rising murmurings about the advantages of manufacturing elsewhere and because it is the type of operation that the electronics industry must increasingly look to as its rivals in Taiwan and South Korea undercut its labour costs and build up infrastructure.

There is no reason to doubt the industry's ability to fight the competitive challenge, just as it has adapted to changed conditions since its establishment in 1959 with two transistor radio assembly plants. Its increasing sophistication through adoption of technological skills has been largely the result of investment by overseas companies.

Factories

In 1962 there were 14 electronics factories employing 881 workers and contributing HK$36.5m. in exports—1.1 per cent. of the Colony's total overseas sales. By 1973 this had risen to 357 factories, 55,583 employees and HK$2.5bn. in exports (12.8 per cent. of the total). Last year export sales had been pushed up to HK$4bn., based on 70,000 workers in 700 factories, and in the first quarter of 1977 electronics, now the second largest manufacturing industry, earned HK$990m., a 21 per cent. increase over last year's first quarter. (Electrical products, including lights, torches and space heating equipment are listed as a separate category, with 1976 exports totalling a further HK$253m.)

In the same three months textile exports fell 14 per cent. in value and clothing 9.4 per cent.

Transistor radios continued to be the most important single category in the January-March period, accounting for more than 40 per cent. in value terms of total electronics exports. Transistor radio sales to the U.S., which takes slightly over half of all Hong Kong's electronics exports, did 29 per cent. better than in the first quarter of 1976, notching up HK$195m.

In 1976 the biggest percentage increases in sales were achieved by radio transmitter receivers (up 302 per cent. to HK$125m.), transistor cassette recorders (up 108 per cent. to HK$129m.), electronic photo flash units (HK$39m.) and microphones, loudspeakers, amplifiers (HK$38m.), up 85 per cent. In value terms, the money spinners were transistor radios (HK$1.57bn.), computer parts (HK$467m.) and electronic calculators (HK$357m.).

Calculators, which some had thought would be a perpetual product with a constantly renewing demand, were hit by intense competition, so that over 70 per cent. more had to be sold to achieve a value increase of only 5 per cent. The average price of a calculator fell to HK$40 from HK$230 in 1973. But the market has not fizzled out entirely with certain important buyers, such as the U.S., holding up and new ones being found. Sales to Brazil, for example, virtually doubled.

The calculator boom demonstrated how quickly Hong Kong could identify a trend and establish production lines to meet a demand. The subsequent decline shows how many manufacturers are prepared to press on doggedly with a product as long as there is a dollar to be squeezed out of it. Fortunately, it also shows that a number of manufacturers are forward looking and prepared to take action in the form of innovation and diversification.

Examples are offered by the rise of television games and electronic watches. It is difficult to pinpoint their importance in the trade figures because they are not listed separately. Radofin Electronics was established in Hong Kong to cash in on the calculator boom but has since switched to TV games. Managing director Mr. Lawrence Scott estimated earlier this year that a handful of Hong Kong-based companies sold 1m. games last year and that sales of 10-12m. might be attained in 1977. But he was uncertain how long the boom would last and in June it was learned that about 10 manufacturers had shifted to other lines following a sharp setback in orders because of oversupply. A danger emerged that manufacturers would attempt to maintain sales by price-cutting instead of improving quality, especially as some of them were producing the games without paying royalties to Magnavox, which holds patents on the product. But orders are expected to revive for Christmas, and more complex games are in course of development which could spin out the fad.

It looks as though the present generation of basically simple games will make way for a variety of cassette facilities that slot into a console connected to a television screen and ultimately to the use of the television as the screen of a mini-computer. Mr. Scott considers the development is only a few years away, and there is no reason why enterprising Hong Kong manufacturers should not cash in on this too, particularly if, like Radofin, they take care of the design and packaging of their product, two neglected aspects of the industry in which major improvements are at last being made.

Brain

The industry is dependent on Japanese and American suppliers for the basic component of the games, the "chip" or electronic brain. A number of manufacturers have been making the games without licence and the licensees have been threatening action against them.

Electronic watch production got under way six years ago and is one of the most rapid growth areas, with Hong Kong now only behind the U.S. and Japan as a manufacturer of electronic quartz watches. (Watch and clock exports in total rose 84 per cent. in value in 1976 to reach $HK1.2bn.). The upheaval in watch fashions and marketing has given Hong Kong manufacturers a chance to break into the field. This has the added benefit that electronic watches are technologically more complex and require greater capital investment than, for example, calculators, and thus represent a step in the right direction for Hong Kong's electronics industry. But it has not been all plain sailing, as the most dynamic of the local concerns, Stelux Manufacturing, has found to its cost.

The company started as a watch-strap manufacturer 14 years ago but has grown rapidly, returning a post-tax profit of $HK41.8m. in 197 The company converted from a component grated group, with about its manufacturing resour devoted to digital watches. the process, it reversed flow of overseas investment the colony by acquiring per cent. interest in Watch Company of the U with managing director C Wong emerging, in the wo of one magazine, "as perh the most powerful and dyna sive force in the internati watch industry." But inten price-cutting and chea fashions forced it to off stock cheaply, with the re that in the first nine months the year group net earn profit was down on the equi lent period for the previ year, despite record sales. interim dividend was redu from HK16 cents to HK10 ce because of the need to conse resources, although the direct remain confident of long-te prospects.

The main concern of Colony's electronics manu turers is not the spe demands of the industry which they have proved can adapt, but general eco factors at home. Cra sections of the industr finding it difficult to attra labour, despite increase benefits. "Asian Source Ele tronics" recently quoted manufacturers as complaini about "a chronic labour shor age," that new restrictions overtime were hampering put and that costs were 15 cent. higher than those regional competitor.

AM/FM radio manufacture also point to exchange rate di culties arising from the streng of the Hong Kong dollar. Son warn that if the currency co tinues to gain strength again the U.S. dollar, buyers wi switch to South Korea and Ta wan, which have fixed pari Currency fluctuations, they s have negated higher prices.

Overall, productivity must increased, quality improved a diversification effected into and more sophisticated li Design too often remains a priority. "Technology, mod advanced production methods and equ ment, high quality compone and raw materials," says S. Chen, general manager Hong Kong Electric. "With upturn of the world econo the time is ripe for the el tronics industry to modern and expand its capacity."

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COMMODITIES

Cautious start for new exchange

IN MAY, after four years of preparation and a fair amount of controversy, the *Hong Kong* Commodity Exchange opened, trading initially in raw cotton futures. The Government, and particularly the unofficial members of the Legislative Council, Hong Kong's "Parliament," were concerned to avoid any emulation of the speculative excesses of the 1973 stock market boom and subsequent crash. The result was strict legislation governing the new Exchange before it opened — unlike the legislation on the stock market front, which was based on bitter experience.

The Government, through the Office of the Commissioner for Commodities Trading, has licensed the exchange company and must approve and register exchange members. It can revoke these licences at any time, veto or change exchange regulations, inspect dealers' books and even close the exchange temporarily. Floor trading members or their parent companies must have paid-up capital or resources of at least HK$2m., buy a HK$100,000 par value share in the exchange company, deposit HK$50,000 with a Government compensation fund to aid members of the public should their dealers go broke, and keep clients' funds in a separate bank account.

Clearing arrangements are handled by a locally incorporated subsidiary of the London International Commodities Clearing House. A separate Guarantee Corporation, owned by the clearing house and the following banks: Barclays Credit Lyonnais, Chase Manhattan, Chartered, Hongkong and Shanghai and Wing On Banks, guarantees fulfilment of contracts to other members. *Dealers have to* deposit a margin, currently around seven per cent., on each contract, and the clearing house can call subsequent margin payments if necessary. Violent price swings are checked by a limit provision. If prices move 2 U.S. cents per pound from the *previous* day's close the market closes for 30 minutes.

The first five weeks of trading were dominated by international operators, with local interest only slight. Daily turnover was no more than 3 per cent. of that of New York, the only other operational international raw cotton futures market. The market, although dull, certainly behaved responsibly, but ironically it is doubtful whether this or the low turnover was a direct result of the stringent regulations. Local investors and exchange members appeared simply to be showing great caution towards the new market.

Turnover

Before the opening, exchange chairman Peter Scales forecast that daily turnover could reach 1,000 contracts (each of 50 bales, half the New York contract size) within a few months. John Wilson, previously with the Bank of England Commodities Division and now President of the Exchange's management committee, said he hoped turnover would surpass that of New York in a few years. Daily turnover in the first five weeks ranged from 19 to 167 contracts, although many dealers had expected it to reach 200 to 400 contracts a day within the first two months.

To boost trading, the initial margin per contract was cut to US$1,250 from $1,750 and a mid-day call introduced as an experiment. The exchange also plans a possible evening trading session (overlapping with European working hours), in addition to the current four-hour session straddling noon, when the number of open contracts reaches the 1,000 mark. By mid-June it stood at around 120. Some local dealers have also suggested quoting in Hong Kong dollars rather than U.S. dollars and using Cantonese instead of English as the trading language.

A more powerful boost to activity could come from the reluctant local cotton spinners. The rationale for the exchange starting with cotton futures was the central role played by textile production, and hence cotton consumption, in South East Asian economies, which are estimated to consume some 35 to 40 per cent. of world cotton exports.

The Hong Kong cotton contract was tailored to grades of cotton used in the region. However, local spinners express little enthusiasm, saying they are traditionally disinclined to hedge their physical purchases and find the New York market adequate for those who wish to hedge. Some dealers have said more pronounced movements in international cotton prices are needed to stimulate investment in the new market and possibly more activity will be generated when the new cotton crop picture clears.

The Exchange plans to op a second market, in raw sug futures, around the autun complementing similar tradi in London and New York a potentially serving regio sugar producers such as t Philippines Thailand e Australia. Sugar operat E. D. and F. Man, Woodhoo Drake and Carey, and Jardi Gill and Duffus are alrea members of the Exchange, a many dealers believe the sug market may prove more acti than the cotton market. Oth commodities which could traded will be researched, cluding copper and oilseeds, b these would require fre Government approval.

Meanwhile, Malaysia co tinues *to work on its own pla* for commodity exchan development, based on existi interests in rubber, tin a palm oil. The Philippines a Singapore have also voiced co modity exchange plans. Exi ing Japanese futures marke are largely domestic and e change control deters signi cant international interest.

Hong Kong's entry into th regional commodity pictu organised by a joint Chines European consortium, has ma a slow start. Howeve Exchange members inclu such international commodi operators as Beche, Ral Rudolf Wolff Shearson, Ha den Stone, ACLI and vario Japanese firms. The questi at this very early stage may whether international intere will be sufficient if loc interest remains slow develop.

Richard Johnso

Bank
Far East

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A building boom

A HONG KONG company, Keng Fong Sin Kee Construction and Investment, won a major house-building contract in Saudi Arabia—and is being forced to recruit workers from Pakistan, Thailand and Taiwan because skilled workers in the Colony were not interested in working abroad. Their unwillingness says much about the state of the construction industry, because the incentives offered to workers in an effort to entice them to the Middle East include free accommodation and paid holidays. Part of the difficulty is that Chinese workers do not want to be parted from their families or their own food. They might be tempted, however, if prospects were not so good at home.

Evidence of the construction boom is all round—in the streets and in daily newspaper reports of yet another massive project. The "biggest and best," which symbolise the present boom, include:

● Hong Kong's tallest building, the circular 63-storey Hopewell Centre in Wanchai. The total area including parking space will be 1m. square feet, to be let at about $HK3.50 a square foot—half the price of rents in the prestigious Central district and an indication that the trend away from Central is gathering momentum.

● Central Enterprises' $HK60m. Kun Tong factory scheme, described as the largest industrial property development ever undertaken in the Colony. It will consist of four 13-storey towers on a 178,000 square foot site with a total lettable space of 1,860,000 square feet.

● The Swire Group's $HK1.6bn. 10,500 apartment residential scheme at Taikoo Shing, the largest private development project in Hong Kong. More than 3,000 apartments have been sold since January 1976 for over $HK500m.

● Hong Kong Land's $HK600m. Central redevelopment scheme, the next stage of which is the construction of two 45-storey office towers enclosing a 20,000 square feet pedestrian plaza.

● Several major road schemes including the $HK280m. twin-tube tunnel to Aberdeen. The tunnels will be lined most of the way with 600 mm thick concrete, increased in places to 800 mm, with steel arch ribs as added support. The road linking Tuenmun new town with the Colony's main urban area is the Public Works Department's biggest-ever highway project, and construction costs on the inhospitable terrain average $HK13.75m. a kilometre.

Thousands

● The new town projects in Shatin, Tsunwan and Tuenmun, which together are expected to house 1,895,000 people by 1986 as well as providing thousands of square feet of industrial space. A total of 55m. square feet of private agricultural land and 4m. square feet of building land will have to be resumed for the development of the new towns, which is causing friction (and has put Shatin two years behind schedule) because the land exchange system on which it is based is not working well. Over 488m.* hectares are being reclaimed for Tuenmun and Tsunwan.

● Hong Kong United Dockyard's $HK300m. 2m. square feet dock scheme at Kanchukkok.

● The Government Housing Authority plans to award 35 contracts with a value of $HK4bn. this year.

● Overall, plans for 723 new buildings were approved by the Public Works Department last year, the highest number since 1973 and an increase of about 37 per cent. over the 1975 figure. Consents to start work covered new buildings comprising about 25.5m. square feet, compared with some 19.5m. square feet in 1975. Exclusion orders, associated with redevelopment schemes, also increased sharply over the previous year despite the continuing diminishing stock of prewar buildings, and construction work has started on a number of such sites in which plans have been hanging fire for some time.

This year, as the Rating and Valuation Commissioner, Mr. R. A. Fry, commented in his recent annual report, "should be very active for the building industry and demand for all categories of property, except perhaps for poorer, less well-located offices, can be expected to be maintained or increased."

The private sector led the industry out of its 1975 recession, with the exception of the start of work on the Colony's biggest-ever civil engineering venture, the HK$5.8bn. underground railway, but the Government has now joined the rush with a number of large projects. (The Urban Council has such a backlog of construction projects that it is employing private architects to catch up).

In the first 15 months of the underground project inflation in civil engineering contracts with price variation clauses averaged 5.9 per cent. a year, well within the budgeted 7 per cent. The most noticeable effect of the current boom in the construction industry is the shortage of skilled and semi-skilled labour, which has been getting steadily more noticeable since the middle of last summer.

"It is now serious," says Ho Sai Chu, managing director of Fnnk Li Construction. "Everybody feels it." As a result wages have been moving up. The Department of Architecture's labour rate index stood at 122.2 in June, compared with 107.8 the previous June (November, 1975=100). Contrary to conventional wisdom about Hong Kong, high wages do not always bring an automatic response. "People tend to want to work in better conditions," explains Ho, a former president of the Building Contractors Association. "Youngsters prefer to take less pay and have an air-conditioned office job."

Acute

The shortage is likely to become more acute. On a 1974=100 volume of work index, the index is only just back to 100 after dipping to 80 in 1975. An index of 130 is likely by next year, although this will not entail 30 per cent. more workers, for 20 per cent. of the extra output is expected to be met by labour-saving techniques such as prefabricated units.

In the longer term the supply of skilled and semi-skilled labour (unskilled is not a problem, for wages in the industry are traditionally 25 per cent. higher than for factory workers) will be boosted by the newly established construction industry training centre in Kowloon, which is about to take its first intake of 660 youngsters after a decade of discussion. They will be the first batch of "really trained" craftsmen—"I can't yet say whether they will be well trained," says Ho cautiously. They will not have on-the-job experience but as Ho says, "It's not too much, but it's better than nothing. It's a beginning." The centre is financed by a levy on construction contracts.

On the materials side, more evidence of the boom was given in June by Green Island Cement, a local manufacturer, which announced a net profit of HK$33.71m. for 1976 (up from HK$23.46m.) and said sales had risen 30 per cent. over 1975. The only serious problem is with aggregate, the price index for which rose from 107.8 in July, 1976 to 124.2 last June. There are a number of quarries, but many contractors feel that because of interlocking relationships there is a virtual monopoly. This matter was first raised with the Government in its quarterly meetings with the industry 16 months ago. For six months the Administration refused to recognise the issue as a genuine grievance, but constant harping on a theme finally won the day. There is talk among contractors that if established operators join forces to win a quarry tender and then maintain prices, the matter might be taken to the Consumer Council, a threat more indicative of concern than of belief in the efficacy of such a course of action.

D.N.

GOLD

A centre for the Far East

THE SERIES of gold auctions begun by the International Monetary Fund in 1976 has hung like a sword of Damocles over international bullion markets, with the Fund selling a total of 3.9m. ounces of gold last year. In the same year Hong Kong's gold imports increased more than five times to around 3.7m. ounces, only marginally less than the IMF sales.

Its good communications, sophisticated banking system and absence of exchange control are factors which have helped Hong Kong to become the major international gold centre of the Far East. The nucleus of the market is the local exchange, the Chinese Gold and Silver Exchange Society. Its turnover is estimated to be greater than that of all American gold markets combined, although less than in either London or Zurich. International bullion dealings involving Hong Kong, like the turnover of the local exchange, have mushroomed since the Government lifted the ban on gold imports and exports in January 1974, thus killing a long-established smuggling trade through the nearby Portuguese territory of Macao.

The exchange is purely Chinese in membership and trades by "open outcry"—in board lots of 100 taels (20 five tael bars), equivalent to approximately 120 ounces. The gold is of 99 per cent. fineness compared with the 99.5 per cent. international standard, and quotations are in Hong Kong dollars rather than U.S. dollars.

International dealers pay commission to operate through local dealers on the exchange, but this has not prevented a thriving arbitrage trade with Europe and America, with Hong Kong bridging the gap in the 24-hour gold trading cycle. Four of the five London gold fixing firms are present and active in Hong Kong in one form or another. The major Swiss and German banks are also represented, although most are less active than their U.K. counterparts.

Accustomed

International and major local brokers quote "local/London" prices for international standard bullion and are by now perfectly accustomed to the numerical translations necessary for operations between the local and international markets, given the different standards and currencies of quotation. The international spotlight was turned further on Hong Kong as the first major market open after the IMF auctions. As one U.K. bullion dealer put it, "Nobody in Europe starts his day off without first looking at Hong Kong." Hong Kong also handles a fair volume of Middle East gold traffic.

The revival in Far East hoarding and in industrial demand for gold last year, and the novelty of the IMF auctions, helped carry daily exchange turnover, combining spot and delayed settlement transactions, over the 1m. ounces level on occasions. Even more normal days would frequently see some 500,000 or more ounces traded, according to well-informed local estimates. Trading and buying interest has quietened this year, as in other areas, after the absorption of so much gold in the past year and a sharp recovery in bullion prices from last year's lows.

In the first four months of 1977, Hong Kong's bullion imports fell to around 330,000 ounces, little more than one third of the inflows in the corresponding period of 1976. Local trading activity has concentrated largely on paper transactions rather than international bullion arbitrage. Communist banks in Hong Kong are frequently said to be active operators on the local gold market, but official statistics have so far thrown up no indications of gold imports from China.

Dropped

Hong Kong's bullion re-exports up to April 30 last also dropped to only 10,700 ounces compared with over 63,000 in the first four months of last year. In the whole of 1976 re-exports totalled nearly 390,000 ounces, almost wholly absorbed by Taiwan, with Japan and Singapore accounting for a residual 6 per cent. Hong Kong and Singapore traditionally service demand in neighbouring countries, Singapore mainly a physical rather than a trading market.

Only recently further evidence of gold smuggling came to light with the discovery by Malaysian customs officials of a well-organised syndicate smuggling gold between Malaysia, Singapore and Indonesia. However, Singapore has been working for some time on plans for a gold exchange and the Philippines Central Bank is also said to be finalising guidelines for a proposed exchange. It remains to be seen to what extent its regional rivals can make inroads into Hong Kong's established position.

The twin questions of foreign membership of the local exchange and internationalisation of its standards and methods have been raised on several occasions, but strong resistance from local dealers has always caused the matter to be shelved.

However, Hong Kong's unique combination of local exchange and international bullion trading continues to prosper, working more than adequately despite its peculiarities, and attracting more international interest than the other financial markets in the colony. In keeping with its international position, the Exchange is moving to a new multi-storey building from temporary premises in a back street of Hong Kong's Western district.

Exchange turnover exceeds that of the four local stock exchanges combined, and, unlike either the stock markets or the new Commodity Exchange, it is effectively unregulated by Government. The reasons for the latter are simple. As a senior Government official noted, the exchange has been established for 67 years and has not caused any problems during that time.

R.J.

LEADING PERSONALITIES

Philip Haddon-Cave

"THERE IS ONE key policy objective in Hong Kong: external competitiveness. Beyond that we don't have a local economy to manage in any traditional sense." Coming from Mr. Philip Haddon-Cave, that statement leaves the listener briefly wondering what he has done these six years as Hong Kong's powerful Financial Secretary. Yet industry is operating at full capacity. Hong Kong registered 16 to 18 per cent. growth in GNP in 1976, and at 4.5 per cent. unemployment, he says, the colony has "virtual full employment because we need a reserve of manpower to adjust quickly to new trading opportunities."

Exports rose 43 per cent. last year, and Hong Kong has one of the world's five strongest currencies. It is no longer Britain's debtor. "Now we are the creditor and they are the debtor." Mr. Haddon-Cave underlines. He implies the changed relationship is one prod to Hong Kong's detractors at Westminster. "We have to be pragmatic here," he continues, "and to some socialists this unorthodoxy is fairly unforgivable."

"The unorthodoxy is a judicious mixture of liberalism and positive non-interventionism. We aim to maintain a high rate of capital investment, and we have a concept of real income after tax—not the social wage," explains the man who has run up against as much opposition from big business to some of his policies as he has from other sectors in the economy. "Sometimes it causes brutal adjustments but also produces strong growth: things would be different in a less externally dependent economy."

Still, Mr. Haddon-Cave resents accusations that Hong Kong is a pure laissez-faire economy that disregards the economic and social rights of its labour force. In fact, he insists, "here the relative share of wages rises on the economic upturn and decreases on the downturn." In his 1977 budget speech, he also admitted that "fluctuations in incomes in Hong Kong will always tend to be larger," although it is "cold comfort" to those affected that the recession was relatively short-lived, the system "did contribute to the increase in nominal wage rates by 16 per cent." in the year to last September.

The 1977 budget itself contains tax concessions for lower paid workers worth an aggregate $HK64m., and allowed reductions in other categories for another $HK46m. Mr. Haddon-Cave has been criticised for being too conservative in cutting taxes on low incomes, and indeed the 1977 cuts look paltry compared with the $HK850m. budget surplus. But he chose instead to carry over the surplus into this fiscal year and forgo any corporate tax increases (maintained at 17 per cent.) and any rise in the standard 15 per cent. rate of income tax. As a result, he hopes to be able to make up for underspending by Government in the past (up 1 per cent. in 1975 and 8 per cent. in 1976) by carrying over the surplus to boost spending 15 per cent. in fiscal 1977. What is more, he had budgeted for a $HK40m. surplus.

The Financial Secretary, who plans to remain for four more years in that job, is predicting a return to the 7 per cent. "trend" growth rate for Hong Kong this year, but is less happy over the 1978 prospects, notably for textile trade. Still, he thinks the Hong Kong economy is sound enough to keep the HK dollar one of the world's strongest currencies, not least because of political pressures in this direction. He, like many others in the colony, is acutely aware of Hong Kong's value to China which generates $HK10 to $HK12bn. a year in foreign exchange through the colony. With one eye on China and another on the absence of any serious regulation of the HK dollar, Mr. Haddon-Cave already went some way toward propping up the currency when last year he created a Monetary Affairs Branch to take more interest in Hong Kong money and exchange rates, primarily through currency reserves held in the exchange fund worth between $HK3.5 to $HK4bn.

"We created the branch because management of our own assets became more complex," he says, "but we do not speculate across the exchanges. The point is simply to minimise exchange risks." So far, the branch has kept a low profile on the market, largely because Hong Kong's growth in 1976 meant less risk. Now, however, some trading circles are worried that the currency is too dear and will damage profit margins by cutting ont some of Hong Kong's overseas markets. For now, Mr. Haddon-Cave seems unwilling to let his meo intervene in the market to help out the traders with a cheaper HK dollar.

These profiles were written by DOUGLAS RAMSEY

Michael Sandberg

THE HONG KONG and Shanghai Banking Corporation has embarked on a crusade to get more control and supervision by Government over near-bank financial institutions which have mushroomed in recent years. "The licensed banks are under control of the banking commission," says Mr. Michael Sandberg, who moves from Deputy to chairman of the Hong Kong and Shanghai Bank on September 1. "They adhere to strict rules on liquidity ratios. But these finance houses are out of its reach. Of course we do not want to drive them out of business and there is no immediate panic, but we do not want to see a situation of secondary banks like the one in London a few years ago."

However true, Mr. Sandberg is in a tight position to talk about the hundreds of institutions which can do wholesale banking but cannot take deposits of less than HK$50,000. After all, he has been chairman since 1973 of the H and S wholesale banking subsidiary, Wardley Ltd., the biggest and perhaps most profitable of the "secondary" institutions. "Four or five years ago we opened Wardley and it has been a big sucess," boasts the 49-year-old banker who has been with H and S since 1948. Indeed, in the financial year just ended Wardley managed to pay its parent a dividend of HK$25m. on total paid-in capital of HK$100m.

If Wardley's success is a hint of the attractions of secondary banking in Hong Kong, critics of the H and S say it is also why the top men at the Bank Corporation are now talking in favour of more regulation.

Mr. Sandberg will have other things to worry about as chairman of the H and S. He takes on many of the duties of a central bank governor, not least because at H and S the positions of chairman and chief executive are combined. Together with its Hang Seng Bank subsidiary, the H and S controls half the deposits in the colony, and since there is no central bank the Corporation is chiefly responsible for the colony's money matters.

Mr. Sandberg faces a difficult task as chairman to fend off any erosion of the H and S's predominance in Hong Kong money circles. The Government is not talking of a central bank, but since last year has set up a monetary affairs branch with new powers to intervene in foreign exchange markets. This also gives the Government an added measure of control over domestic interest rates which are effectively tied to the Hong Kong dollar. Moreover, the Government has not yet acquiesced to the demands for more control over secondary financial institutions which constitute a vague threat to the H and S. And in recent months, even the other banks have begun to openly question whether the H and S is abusing its power, most recently in the case of unilaterally reducing its best lending rate without first getting agreement from members of the Exchange Banks Association.

But the new chairman's strategy to fight any erosion of power at the bank seems to be offence, not defence. As he says, the wholesale banking business is still booming and "we must now look to boost money under management" at Wardley. The institution has a Middle East office in Dubai, and there are plans for further expansion. "We are also g into the insurance busi Mr. Sandberg says, "an have made very profitabl vestments in Cathay Pacif Y. K. Pao's fleets."

Other major stakes may in short order after be bec chairman, "but banking ness comes first." Mean the affable racehorse-owne track fanatic will pass on of his directorships to time for the H and S chai ship but stays on as a st of the Hong Kong Jockey now among the most prof (though philanthropic) ver in the colony—the H a notwithstanding.

Lydia Dunn

"IF I become senior managing director of Swire Maclaine, it will be the first time a Chinese heads up a Swire Group company — or any of the major Hong companies for that matter." Those words, from the present managing director of Swire Maclaine, member of Hong Kong's Legislative Council (LEGCO), and driving force in the Colony's textile trade comes as a bit of a surprise because the speaker is not just Chinese and young but a woman too.

"Hong Kong is no trouble for women. There are quite a number in executive positions, but they are usually in family companies," Lydia Dunn cautions. "I didn't want to work for a Chinese firm because it's hard to get to the top if it's a family business. So I joined Swires in 1963 after finishing at Berkeley." Promoted in 1970 to export manager Miss Dunn converted the department 100 per cent. to Chinese graduates, ruffling a few expatriate feathers, but preparing the company for the biggest textile boom in Hong Kong's history. Her success led to her appointment as managing director, where she spends half her time directing. The other half (of an often 16-hour day) is spent in public service.

It is a Hong Kong tradition for leading business figures to take turns on various advisory panels to the Government. Ms. Dunn, an alumnus of several, including the Textile Advisory Board, was named to LEGCO last year. She and the other "unofficials" (for outside Government service) are a departure from past LEGCO's which many outsiders found to be too representative of big business.

Inside LEGCO, Ms. Dunn has become a shadow financial secretary of sorts. Her attacks on underspending by Government in the social field have earned her the respect of Mr. Haddon-Cave, who has pledged to reform Government's supervision of social and public works spending.

Of longer-term importance, Ms. Dunn thinks, is her plea for a land use programme. Until now, Government has regarded land not used for public purposes "as simply an asset for sale for revenue purposes," Ms. Dunn warned in a LEGCO speech last March. "Yet land is a vital factor of production. We need a more comprehensive approach to the production and use of land." Since that speech, the Governor has appointed a panel to draft just such an approach.

Meantime, Ms. Dunn will continue to tackle other Government programmes, some of which may conflict with the interest of Swire Maclaine. Indeed, it is a frequent criticism of LEGCO that its members may advise against reforms which hurt big business.

In coming months that tradition will be put to a major test, she says. The Government is asking for large-scale reforms to labour legislation. The textile industry, which accounts for half of all manufacturing, will be the first to feel the pinch.

"I am sure the new legislation (which includes seven days' annual holiday and a fine for child labour) will blunt our competitive edge," she says. "I'm in the business, and I have been lobbied by people in the trade, and I am personally a little worried about the cumulative effects it will have on our exports. But how can we argue with the principle?" Others are arguing; but Ms. Dunn is convinced the Government will get its legislation without a dissenting opinion from LEGCO.

Jack Cater

"PERHAPS a billion dollars a year flow into the syndicates," admits Mr. Jack Cater, Hong Kong's head of the Independent Commission Against Corruption (ICAC) started in February, 1974. The sum gives one clue to the size of problem the ICAC has to tackle. Another, Mr. Cater points out, is the extent of official and in particular police corruption in the Colony. With memberships varying from 10 to 300, there are at least 28 identifiable public sector syndicates, and 25 of them are in the Royal Hong Kong Police Force.

The task would have broken the back of a less tested man, but Mr. Cater, at 55, has seen action before. "Always the bridesmaid" for the post of Colonial (now Cabinet) Secretary, Mr. Cater has served in practically every other high post in Hong Kong Government over the past 20 years: as Deputy Colonial Secretary, in defence, home affairs, information, commerce and industry, and others. Above all, Mr. Cater was assigned the unenviable job in 1967 of masterminding the Government's response to the riots which brought Hong Kong to a virtual standstill, a task he did so well, according to one acqnaintance, that "he did himself out of the top job—too many people identified him with Hong Kong's roughest hour." He was also asked in 1973 to lead the fight against violent crime, which has resulted in a major drop in the incidence of such crimes since then.

For all that, Mr. Cater came out of 1967 and 1973 with only a few apparent enemies, a track record that may already have been blemished at ICAC, which he was asked to organise in October, 1973, after a series of wild (and largely correct) allegations about crime in the constabulary. Since then, the ICAC has considered about 9,500 reports on corruption, about 85 per cent. of them involving Her Majesty's service. Reports of police crime (4,400) have regularly accounted for more than half the reports of Government crime.

The ICAC has had its successes, notably the extradition from the U.K. and conviction of Mr. Peter Godber, and other trials of expatriate police officers. But Mr. Cater has failed to bring back the many wealthy, and mostly Chinese, non-commissioned police officers who left Hong Kong before the ICAC cast its net.

Still, up to the end of May the ICAC had carried out 689 arrests, which resulted in 484 convictions and 134 acquittals (the other cases were pending). The proportion of crown servants (including police) to the total number of arrests and convictions, however, was less than half their ratio of total reports, indicating that the ICAC has had a harder time of bringing public-sector criminals to justice. Now, says Mr. Cater, they will get top priority.

The Hong Kong business community, for its part, is for the moment relieved that Mr. Cater is spending most of his time on public sector crime, although in principle the ICAC is also responsible for attacking private sector corruption as well. From the start, the ICAC put a scare into businesses by saying that it would enforce 1948 Statutes (Section 9) forbidding kickbacks. Mr. Cater promptly took some cases to court after the ICAC was flooded with reports of private sector corruption. The ICAC got several convictions and fines, but the crusade enraged Chinese business in particular.

The local Chinese Press came out against the ICAC for neglecting its duty to sort out police corruption, and in a rare display, the Chinese Manufacturers Association (pro-Peking) and the Kowloon Chamber of Commerce (Taiwan connections) held a mass rally to protest against "interference in Chinese ancient customs."

"We have never had more than 1 per cent. of our staff looking at the private sector, but the warning flags are up," Mr. Cater says. The ICAC has let it be known that offences under the kickback statute will not be prosecuted if they happened before 1976 when it was made clear to business that the statute would henceforth be enforced. But Mr. Cater has reserved the right to return to private sector corruption at a later date, and even the Chinese community seems to have softened its position: there are indications, in fact, that leading Peking contacts in the Colony are now willing to see Mr. Cater have a go at corrupt businessmen — further testimony to Mr. Cater's proven ability to muster support for fighting Hong Kong's worst ills.

Stanley Ho

"THE HONG KONG economy is strong." Mr. Stanley Ho starts off. Asked why, he does not mince words: "We have no elections so we don't waste time and we don't waste money: $300m. for the British armed forces here takes care of it. People are hard working, and unions are being told by Peking not to make trouble. Taxation is excellent, and we get cheap foodstuffs from China."

Enough said. At 55, Mr. Ho is emerging as one of the colony's new breed of China "connections" in spite, or perhaps because of his straight and sometimes ruthless talk which goes against the sensibilities of official Hong Kong. He is also a Taipan of immense wealth, another source of irritation to many in the colony. It is a widely accepted allegation that Mr. Ho and his partner, Mr. Henry Fok, started their fortunes at the time of the Korean War running strategic materials into China. Certainly, both men became prominent during that era of smuggling.

Indeed, Mr. Ho seems to have weathered the 1967 riots without taking sides, and he even managed to bolster his friendship with Peking authorities. The relationship, and Mr. Ho's wealth, can be traced (after the Korean War) to the award of China's sand monopoly in Hong Kong to his partnership with Mr. Fok. Later, in 1962, Mr. Ho was awarded the 25-year gambling franchise in Macao (where he had worked during World War II for a Japanese company).

The Sociedade Dn Turismo e Diversoes de Macao has earned Mr. Ho an undisclosed fortune, as have related operations run by Shuntak Shipping and Far East Hydrofoil with their near-monopoly on transport to and from Macao. And although China's hold over the Macao Peninsula only tightened in 1967, it is fair to say that the gambling franchise was a present from Peking.

The quid pro quo, certainly, has been for Mr. Ho to run a successful operation, and thus earn (indirectly) foreign exchange for China. This he has done, not just by building four casinos but also luxury hotels. He is also one of the largest private shareholders in Macao Electric. But the utility's licence runs out in 15 years, and Mr. Ho's gambling monopoly in nine. What then?

"As long as I sign big contracts," he starts, but does not finish the sentence. He does not have to.

The Sociedade recently signed an agreement to develop one of the islands off Macao at a cost Mr. Ho puts at HK$130m. over the next 5 years. The centrepiece will be a golf course covering one-fifth of the island, and with it Mr. Ho thinks he can attract Japanese to Macao for longer than the few hours they spend away from Hong Kong in the Portuguese colony. The plans have reportedly put him in good stead with China, and he seems to be quickly assuming the mantle of the ageing Mr. Ho Yin, for years the unofficial Chinese leader of Macao, who built his fortune on the Macao gold exchange which virtually went out of business when Hong Kong began to import and export gold a few years ago.

Mr. Ho himself would like to see China negotiate new leases on Macao, Hong Kong and the New Territories for, say, another 50 years. He has privately put the question, but received no answer. Nor does he expect one in the near future, but is optimistic that the answer will be yes when China decides to negotiate. As a result, he is expanding his Hong Kong business interests along with those in Macao.

Still, there is a touch of doubt, or at least a scent of profits to be made elsewhere. Armed with his gambling success in Macao, Mr. Ho is on the road to becoming the gambling czar of other countries too. His interests range from an as-yet unopened casino in Pakistan to the Tehran Racing Company which is now building Iran's first race track (with the Shah's blessing). Mr. Ho has also been operating a Jai Alai gambling business since 1971 in Indonesia, and there are other overseas investments now in preparation (although a bid to build and run a casino in Tasmania, Australia, was withdrawn). His other business interests range from the U.S. to Portugal.

Uisdein McInnes

THIS SUMMER Mr. Uisdein McInnes takes over as Hong Kong's Commissioner for Securities. It is a job that commands little thanks from a previously unregulated business community. "I think the original fears expressed regarding interference and control over the industry have now largely dissipated," says the amiable Scot who read economics at Cambridge.

This seems largely true. In part it is the work of Mr. James Selwyn, the outgoing Commissioner who proved steadfast on regulation but sympathetic to business anyhow. It is also due to smarting memories of the trespasses of the early 1970s. Between March 1972 and 1973, for instance, 148 companies went public — 90 per cent. of them in property or finance. Turnover at the four exchanges went from 6bn. shares in 1970 to 48.2bn. shares in 1973; then came the bust and turnover dropped to 11.2bn. shares in 1974 and by last year had only inched back to 13.1bn. Failures ensued (most notably Mosbert Holdings from that period) and Hong Kong decided to set up a Commission on Securities, as Mr. McInnes puts it, "to avoid the excesses of the boom era."

The Securities Commission first made its presence felt in 1975 when the Companies Ordinance was further amended to force consolidated reporting, but since then has baulked at trying to legislate too many regulatory functions for itself. Mr. McInnes says he, too, will tread carefully: "It is all too easy to say legislate. Take unit trusts for instance. We suggested a Bill, but there was strong opposition for fear of losing the independence of trustees. We are instead drafting a code of voluntary controls, and I think it will work."

Unit trusts and takeover regulation notwithstanding, some areas of Hong Kong company law may yet require legal enforcement, according to Mr. McInnes, and notably insider trading. "Section 1-40 of the Securities Bill (on insider trading) was never enforced because it was tied to passage of a U.K. bill which never passed." Since then, Mr. McInnes himself has headed an investigation into dealing by top executives of Wheelock-Marden. "On the assumption that transactions went beyond 1-40." At the close of the investigation, though, the Securities Commission decided it could not prosecute on the basis of 1-40. As a result, says Mr. McInnes, enforcing the section "is now under active consideration"—and it could well become one of his first official acts as Commissioner when he takes office in August to recommend such action.

Mr. McInnes's biggest task as Commissioner, though, will be unification of Hong Kong's four stock exchanges. "We circulated a paper on unifying the exchanges 18 months ago," he said recently, "and after much huffing and puffing the debate lapsed." In particular, the securities houses thought it would lead to a major reduction in dealers. But last November the Hong Kong and Far East exchanges announced that they had entered merger talks. Hong Kong then invited the other two exchanges (Kam Ngan and Kowloon) to join the talks, at which point the Far East made for the exit. The Commissioner for Securities then jumped back into the debate, and proposed a working party on unification of all four exchanges. The proposal, this time, was accepted: the first meeting was held in May. Mr. McInnes will chair the meetings, "but we are only assisting them," he insists.

Meantime, his office will spend more time investigating breaches of existing law. His office has added new staff, including the former financial editor of the South China Morning Post as top investigator. The budget now is HK$1.7m. compared with HK$1m. last year. "Of course, with more staff," Mr. McInnes admits, "some fear that we will go over our remit. But we will only investigate more often because now there is a law and the means, and this implies we have not been able to investigate some cases in the past." All of which does not detract from Mr. McInnes's staunch personal defence of Hong Kong-style capitalism.

Woo Hon Fai

IN A COLONY of whizz-kids, Woo Hon Fai ranks as one of the older, least flamboyant, yet perhaps *most powerful of the* lot. Last month Hong Koog inaugurated its first Commodity Exchange, the brainchild of Won Hon Fai's Seacom group of European and Chinese interests, which won the right to set up the exchange in 1975 in stiff competition against five other (mostly European) groups, including a joint tender by Hutchison and Slater Walker.

Mr. Woo's contract to set up Seacom and the exchange was a sort of coup. His "group" is a bit amorphous, mostly Chinese and not backed up by one of Hong Kong's big business families. In other words, Mr. Woo is an independent—but with a difference.

Mr. Woo is fast becoming the hottest property on the business scene, but he is not a newcomer. After the war he helped set up Lee Cheong, a securities and bullion firm which has grown into one of the Colony's largest. In 1970 he became president of the Chinese Gold and Silver Exchange Society, a position of power inside the Chinese community (and potentially outside that community, if ever foreign traders are allowed to deal on the exchange—something Mr. Woo now favours). The exchange itself is old (born 1910) but it was Mr. Woo who nursed it into the third largest bullion exchange in the world after London and Zurich. He did so by lobbying the Hong Kong Government to approve the import and export of gold in 1974—since then, Hong Kong has taken the gold trade away from the Macao exchange lock, stock and barrel.

As if gambling on commodities and gold were not enough, Mr. Woo also staked his reputation on stocks and shares by helping to set up the Kam Ngan Stock Exchange in 1971, now Hong Kong's largest in terms of existing members. And just to round out his entrepreneurial package, Mr. Woo is director of Lee Hing Development, one of the leading Hoog Kong Chioese property companies.

So Mr. Woo's fingers are in many pies, and he has the advantage of having baked most of them himself. As a result, he has become a barometer of which way the various Hong Kong exchanges are going, and in particular how fast they will become of international importance. Even the Gold Exchange is still at heart a Hong Kong marketplace, with domestic far greater than overseas trading.

One problem is that the exchange trades in *Tael*, a weight not easily comparable to fine ounces. (Mr. Woo's Lee Cheong firm is one of the few companies alowed to manufacture *Tael* bars). As a result, foreign traders have to arrange to resmelt the bullion if it is to be traded on non-Asian gold markets—a serious obstacle to making full use of the 24-hour trading facility which the opening of the New York Gold Exchange now permits between Europe, the U.S. and Asia. For now, Mr. Woo sees no need to change since most of the business is transacted within Asia, where the *Tael* measurement is most common. More urgent, he says is to bring foreign dealers onto the exchange itself, instead of forcing them to trade through Chinese members.

More controversial is what to do with Hong Kong's four stock exchanges, and until recently Mr. Woo stayed aloof from discussions between the Hong Kong and Far East exchanges. Now the Kam Ngan Exchange has joined discussions on eventually unifying the four exchanges, and although Mr. Woo himself says this will take a long time, many insiders think he could emerge as the head of whatever super-exchange results from the negotiations a year or two hence.

Beyond that, there is plenty of room for expansion at the commodity exchange. The Hong Kong Government has made it clear that it wants to keep just the one exchange, but slowly enlarge it to cope with new commodities. Cotton is now traded, sugar starts later this year, and other rings are in blueprint form.

Sir Lawrence Kadoorie

TRADER, TYCOON, Taipan — the labels mesh in Hong Kong and never more so than in the case of Sir Lawrence Kadoorie, the most durable of the lot. At 78, he is reputedly the richest man in the Colony with some 500m. U.S. dollars to his name. And although he owes much to his father, Sir Elly, who built up the family fortune in Hong Kong, the present Taipan not only saved the fortune after the war but greatly enhanced it. He did so moreover, in an uncharacteristically (for Hong Kong) unaggressive way.

As chairman of 15 companies and a director of another dozen in Hong Kong alone, Sir Lawrence wields power, quite literally, at the helm of China Light and Power Co. Whereas he has left to underlings the daily management of his banking, trade and textile businesses Sir Lawrence is still the working executive of China Light. In that capacity, he has supervised possibly the biggest personal gamble on Hong Kong's future the Colony has yet seen. The Mass Transit Railway, for completion in the 1980s, is the other big gamble, but that involves corporate giants and the Government itself. China Light's expansion in the ten years since the 1967 riots has put at risk the finest of the Kadoorie fortune.

"Some people ask me how I could have invested so much in Hong Kong after the riots," he says now. "In fact, I never lost confidence. Even during the worst, I refused to stop work on this building. How could I? I was born here. I owe everything to Hong Kong."

The confidence had been there previously. His father died at Camp Stanley in 1944, and Lawrence Kadoorie, also interned there by the Japanese, returned from Shanghai after the war to chair the building reconstruction advisory committee. He also took back control of the family's hotel holdings, including the Peninsula in Hong Kong, and got China Light back on its feet. By the early 1960s, the Kadoorie empire (including trade and docks) *was flourishing. Then he pulled* off Hong Kong's deal of the decade with Esso Standard Eastern of the U.S. in 1964, whereby the American major agreed to put U.S.$40m. into a joint venture with China Light called the Peninsula Electric Power Company (PEPCO) to produce electricity for distribution by China Light (which holds 40 per cent. to Esso's 60 per cent. in the venture).

The riots came and went, and with them a good deal of foreign investment, but neither China Light nor Esso seems to have looked back. Since 1967, PEPCO has spent over HK$1bn. to build and continuously expand generating facilities, and the revenues of China Light and PEPCO (combined) skyrocketed from HK$275m. in 1967 to HK$1.1bn. in 1976. During the same period, net profits went from HK$77m. to HK$214m.

"It has paid handsomely," says Sir Lawrence, "because we have helped business grow." Indeed, during the period installed capacity rose from 602 MW to 2,012 MW, and per *capita consumption* doubled from 811 kW in 1967 to 1,609 kW last year. It is not lost on industry that Sir Lawrence's ability to bargain against the odds with Esso for a major capital commitment to Hong Kong has in part been responsible for the Colony's industrial success (not least because it has fostered other major foreign investments).

Still, Sir Lawrence (knighted in 1974) has had his setbacks, most notably his forced exit from the Board of the Hongkong and Shanghai Banking Corporation, apparently at the insistence of Arab clients on the grounds that he is a Jew. The episode is only briefly noted in his personal data as a "past" activity alongside dozens of others, including several years on the executive and legislative councils of Hong Kong in the early 1950s—Sir Lawrence is at present chairman of Schroders and Chartered.

And the future? Sir Lawrence says he will continue to work full time at his China Light job, not least because Hong Kong's needs are growing rapidly at a time when the New Territories lease is at an uncomfortably close distance of 19 years. He recently told China Light shareholders that the Colony will need a further 1,400 MW capacity by 1986. He has ruled out nuclear power, but expects to get a decision on building a new conventional plant before the year is out. The cost of expansion to China Light and PEPCO, he says, will be "far higher" in the next five years than the average HK$240m. spent in the last five. What's more, he sees no problem finding the cash and most Hong Kong businessmen seem to agree. Perhaps his confidence is catching.

Poised for bigger things

IT WAS almost inevitable, given the history of the Colony, that the major Hong Kong trading houses should have been drawn into the *multinational* business field.

The process has been speeded up since the conquest of the Chinese mainland by the Communist regime, although it now seems that, with *Peking anxious* to attract Western trade, the mainland may be about to provide another area for Hong Kong business.

The fundamental questions facing the *managements* of the major groups in their wish to expand into the truly international league can be seen in the policies adopted at Jardine Matheson one of the first European traders to move into the Island in the 1840s and more recently one of the first to seek a multinational future.

Jardine enjoyed an explosive period in the early 1970s when annual growth rates of around *40 per cent.* were achieved. But now, according to London analysts, Jardine needs further overseas diversification *if* it is to maintain earnings growth even on a more modest scale.

Indeed some of the disquiet among investors, which showed itself last year in the relative underperformance of the shares undoubtedly reflected doubts regarding the *policy* of foreign acquisitions.

Around 50 per cent. of Jardine's profits and assets remain firmly anchored in Hong Kong, in the group's long established trading, property and light engineering interests.

But the drive overseas has taken Jardine into new areas. In the U.K., Reunion Properties was acquired, in South Africa a controlling interest was taken in Rennies, which operates in tourism, shipping and light manufacturing; and in Hawaii, Theo. H. Davies, a sugar producer, was bought.

Not all these moves have proved altogether successful, nor have they always found favour with the Hong Kong shareholder, who has seen the group's profits grow year after year as the Hong Kong economy prospered and is not too happy to see his funds going into new areas.

The investment in Reunion Properties is showing a loss of some 50 per cent. on investment at present—a loss reflecting, of course, the unhappy fortunes of the U.K. property industry since 1973. An added problem for Jardine has been the slide in sterling, which postpones the hope of seeing a real return on capital. A further adjustment for exchange losses is likely this year.

The South African investment, Rennies, has proved a satisfactory move during a difficult economic period. However, there seem to be some doubts among the investment community about this involvement in a politically troubled area.

The major problem area has become the Hawaii sugar venture. At present world sugar prices, Theo H. Davies is almost certainly losing money on every pound of sugar produced, and there seems no sign of improvement ahead.

However, one major London broker is looking for growth rates of around 15 per cent. from Jardine for the medium term. While well below past rates, this target would still depend upon further moves outside Hong Kong.

One of the most widely publicised, if eventually unfortunate, overseas expansions lies in the recent history of Hutchison International, which last year returned to the dividend lists after a two-year absence.

Expansion

Hutchison was originally a typical Hong Kong trading company which by 1971 had built up interests in the Island in property, textiles, soft drinks, helicopter services and the harbour terminal. Some 90 per cent. of profits came from inside Hong Kong. But in 1971, the group entered upon a world-*wide expansion via acquisitions* in Australia, Malaysia, Indonesia, the Far East and the U.K. This policy came to an ugly conclusion in 1975 when Hutchison was rescued from the very brink of catastrophe by Hongkong and Shanghai Banking Corporation, which put $HK150m. into a still-controversial deal.

Part of Hutchison's misfortunes came from the weakness of the assets base in Hong Kong at the time of the expansion. Hutchison was essentially a trader, and when business turned bad too many of the profits were *still* dependent upon share trading and such short-term and volatile considerations. In retrospect, the overseas moves took Hutchison into some strange places. Nearly *£500,000 was lost* in a U.K. company which specialised in building fake British pubs for export.

Since the near disasters of 1975, Hutchison, under its new management, has acted determinedly to reverse the previous policies. About 100 former group companies have been sold off and the heavy involvement in share dealing profits has been cut back.

The latest moves have been the ill-starred approach to Wheelock Marden, which foundered after claims that sufficient information was not made available by the Wheelock Board, and, in the past fort*night*, the *plan* to merge with Hutchison's own subsidiary Hongkong and Whampoa Dock.

Whampoa Dock is one of the Colony's most financially strong companies, with a rich land bank. For Hutchison, still rather limited to its persona as a trading and investment group, with a weakish asset base, the Whampoa move suggests that the new management intends to fortify the home battlements before looking at the international scene again.

Something of a contrast to the other Hong Kong groups is provided by the Swire group of companies, which is ultimately controlled by the private U.K. company John Swire and Sons and perhaps more publicly identified by Swire Pacific, its major quoted member in Hong *Kong*.

Swire group ranks second only to Jardine Matheson in the Colony's trading lists but has tended to have a much lower profile than its competitors. Swire arrived in Hong Kong in the traditional fashion as a U.K. family trader and until recently has remained close to its Hong Kong roots. In the 1960s and 1970s, for instance, Swire played a subdued role in the general overseas expansion.

The group's interests range from soft drink bottling, general merchanting and the Hong Kong dockyard. A significant money spinner has been Cathay *Pacific Airlines, in which Swire* holds over 50 per cent.

But the decision last month to float Swire Properties has implications for the group. Development profits which provide the major earnings source at Properties are strongly based upon one huge development in Hong Kong, the Taikoo Shing Estate. Rental income plays a relatively minor role at present (HK$45m. out of HK$131m.) but is derived largely from outside Hong Kong, mainly from Florida.

The potential of the land bank, which is the largest undeveloped holding in Hong Kong, has provided backing for the shares, which remain one of the best favoured of the local trading companies.

Another potentially exciting move for Swire *lies in* the offshore oil and energy services division. Once again, this is firmly bedded in the home territory, with the formation of Swire Petrocan (Hong Kong), *which* will have a wholly-owned operating subsidiary in Singapore. But, as the name indicates, Swire will operate this venture in agreement with Petrocan Group of the U.K. All the signs are that Swire will be in the forefront of any new upsurge of international expansion by the Hong Kong houses.

Requirements

The provision *of banking*, insurance and other financial services was an early requirement of Hong Kong business, and it is no surprise that on this base Hong Kong and Shanghai Banking Corporation has established itself firmly among the world's multinational companies, with operations in North America, the U.K., Australia, Bermuda and the Middle East.

But this multinational flavour, which has shown itself in such diverse events as a row with the State of *California* over taxes, losses of some millions of dollars during the looting of Beirut and the £32m. purchase of an office block in Bishopsgate in the City of London, should not disguise the continued importance of the operations in Hong Kong, which still provide the bulk of group profits.

An important earner inside the Colony is Wardley, the wholly-owned merchant banking arm, which is currently benefiting from the recovery in corporate business in Hong Kong and also managing a HK$500m. loan for the HK Mass Transit Railway.

And of course the Bank has shown its Hong Kong muscle in one of the *major traumas* of the 1970s. When Hutchinson International ran into trouble in 1975 it was the Bank which played the most important part in the rescue of the group, culminating in the taking of a one third stake in the equity. There seems [illegible] likelihood of the HK and Banking Corporation losing sight of the importance of its home base in the multinational race.

As the world economies recover from the shocks which followed the crushing blow of the energy crisis, it seems likely that there will be a further expansion of Hong Kong business on to the world stage. But on present form, such moves will in future be forged upon the *anvil* of Hong Kong's own business experience rather than upon property and stock exchange booms of other countries.

Terry Byland

LABOUR

Conditions improve—slowly

AFTER A NUMBER of years of intense, and by local standards drastic, legislation, the Hong Kong Government now feels the basic framework of its labour regulations is complete. According to the Assistant Commissioner for Labour, Mr. Jack Lao, legislation in the future will be more concerned with improvements to existing laws than with sweeping changes.

Despite grumbling, and occasionally outright opposition from employers, a number of fundamental principles in the field of workers' rights and conditions have been introduced over the past three or four years, including the establishment of a labour tribunal, the introduction of severance pay for laid-off workers, and protection against anti-union discrimination by employers.

A Bill giving workers seven days annual holiday was recently passed into law after a year's wrangling, and even in the face of opposition from many workers who said they would have preferred to work the extra days to earn more money.

These are the sort of laws that were fought over in Britain during the last century, and the Hong Kong worker still has far less rights than his British counterpart, but he is better off now than he ever was before, and his rights in practice are certainly greater than those of workers in most Asian countries.

"Conditions for workers here are comparable to the best in South East Asia. But comparing labour legislation in Hong Kong with that in other South East Asian countries is not very meaningful, because they often have lots of laws on paper, but enforce them badly," said one labour official.

The number of International Labour Organisation (ILO) conventions that a country has ratified is often used as a guide to how advanced its legislation is, but it is generally accepted as a poor guide to workers' conditions. For the record, Hong Kong has ratified 22 conventions and 12 others, with modifications, while Singapore has ratified 21 and Indonesia eight. The United States has ratified only seven.

Priorities

"Despite the ILO conventions, enforcement of labour legislation in South East Asian countries is often poor. Their first priority is the economy of the country, and you often find that legislation has a let-out clause," says the chairman of the Hong Kong General Chamber of Commerce, Mr. Jimmy MacGregor.

Despite some criticism, and occasional suggestions of corruption among the Labour Department's 200 factory and labour inspectors, the Government says it enforces the labour laws to the best of its ability, and Mr. MacGregor agrees. "There has been a general attempt by industry to conform to new legislation especially in recent years as the Government has used its power to prosecute companies not obeying the legislation," he says. "That is why there is such an outcry when new laws are proposed. If the Government did not take adequate policing action, there wouldn't be such a fuss."

Mr. MacGregor also considers that the high mobility of Hong Kong's workers and the relatively full employment situation prevailing tends to encourage employers to treat their workers well, better in many cases than the minimum set down by law. "Workers here now understand their rights far better than they used to, due not to the unions but to a gradual rise over the years in educational standards," he says. "If a worker is not satisfied with the deal he is getting, he can always go to the factory next door, and employers are *always* aware of this. It is in the manufacturer's own selfish interests to maintain adequate working conditions if he wants to retain his good workers."

One of the strange things about the situation in Hong Kong is that it has been the Government and not the unions that has insisted on improving workers' conditions through legislation. Union membership in Hong Kong is low (only 400,000 workers out of a total workforce of over 1.5m. are union members) basically because almost all the unions here are heavily politicised, having strong ties either with the Chinese Communist Party or with the Nationalists in Taiwan.

Exploitation of workers occurs not so much in the large factories as in the thousands of small factories often employing only a few workers each, and usually *clustered* together in huge multi-storey industrial buildings. "A lot of the problems derive from the high cost of land and industrial premises which results inevitably in overcrowding of many premises. It is sometimes difficult for factories to stay within the rules," says Mr. MacGregor.

Conditions

"Although most employers in Hong Kong accept the general trend towards improvement of workers' conditions, new labour legislation is usually opposed by manufacturers on the grounds that it will make their businesses *uneconomical*. "The labour legislation introduced during the past few years has, apart from wages, increased the cost of labour quite substantially and the potential increase is even greater," said Mr. MacGregor.

But the former Commissioner for Labour, Mr. Ian Price, said in an interview before he retired at the beginning of June, that he did not think improved conditions for workers would affect the colony's economic development. "There might be a hiccup, but there certainly won't be indigestion. I don't know how many times I've heard labour employers say 'We can't afford it,' but in the final analysis they always do," he said.

Many manufacturers, worried about how far the Government will go, would like *to* see the Government commit itself to a long-term view of future legislation so that *manufacturers* will have some idea of what lies ahead. They suggest a three- or five-year plan, but the Assistant Commissioner for Labour, Mr. Lao, says such an idea would not work.

"Hong Kong industry expands so fast that it would just not be possible for us to be specific about the sort of legislation we would be introducing in three or five years time," Mr. Lao said.

There are naturally those who would like to see the rate of improvement in conditions for Hong Kong workers speeded up, but even at the present rate the Labour Department expects that by the end of 1978, workers here will be better off than any workers in Asia outside Japan.

The Hong Kong Christian Industrial Committee, which has been fighting for many years for improved conditions, would like to see the Government introduce a comprehensive insurance scheme funded by contributions from the Government, employers and the workers themselves.

The *Government* is also said to be considering the introduction of a minimum wage at some stage in the future, but neither proposal looks like being implemented for a long time to come.

Anton Graham

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Added container facilities

TENTATIVE PLANS for a second container-berth complex at Tseung Kwan O (Junk Bay) are among latest developments that underscore a surprisingly high level of shipping activity in Hong Kong. Existing container facilities at Kwai Chung (Gin Drinker's Bay) last year handled over 1m. TEU's (20-foot equivalent units), making the port the third busiest in the world after New York and Rotterdam, slightly ahead of Kobe.

As yet the Tseung Kwan O scheme is still at the feasibility-study stage, but Marine Department planners are relatively enthusiastic about the bay's deep water approaches, its distance from the harbour's bustling western end and its proximity to the important industrial township of Kwun Tong. If a decision is made to go ahead with the project, it is anticipated that perhaps three terminals could be built and operating by 1981.

Sixty per cent. of Hong Kong's imports and exports—textiles are the principal commodity—move by container. These are now almost exclusively handled at Kwai Chung, which has five terminals capable of berthing nine vessels simultaneously. Each can accommodate 950-foot "third generation" containerships.

Berths

Modern Terminals (MTL) has berths one and five, while Hong Kong International Terminals (HIT) controls the marginally larger berths two and four. Berth three belongs to Sea-Land and is used exclusively by that line's ships. The whole operation is a private enterprise affair. MTL's shareholders are OCL, Ben, Hapag-Lloyd, the Commonwealth Development Corporation, Hongkong and Shanghai Bank, Swire Pacific, Kadoorie, and Hutchison International. MTL (Berth 5) is MTL plus Hongkong and Kowloon Wharf and Maersk Line. HIT is 75 per cent. owned by Hongkong and Whampoa Dock, which is in the process of merging with Hutchison International—dealings in both companies shares resumed on June 13 as detailed discussions continue.

Outlay on facilities at Kwai Chung has now topped U.S.$250m.—MTL has just spent another U.S.$12m. on a 35-ton Hitachi crane and four transtainers, nine Mitsubishi straddle carriers, three TCM transporters and other equipment. A limited number of containers are also shipped from southern China, altough Kwai Chung lacks a direct railhead connection with the Kowloon-Canton Railway.

Traffic

Marine Department statistics traditionally appear about a year in arrears. During 1975, 7,519 ocean-going vessels arrived in the port, and 7,542 cleared. The total 15,061 compares with 14,637 in 1974. Net tonnage of the ships was up from 64.2m. tons to 68m. tons, and ocean-going cargo handled amounted to 17.43m. tons (1974 — 16.15m. tons). A total 34,843 river trade vessels arrived and 34,829 cleared.

Ship repair companies showed signs of strain towards the end of 1976, affected both by depressed conditions in Japan that have led to aggressive marketing by idle shipbuilders, and by cut-throat competition from large-capacity yards in Singapore. The dominant concern Hongkong United Dockyards (HUD) numbers China as its biggest customer, with perhaps a Soviet ship a month as well. Major conversions recently have included making drill ships and livestock carriers from bulkers, and a sizeable ferry outfitting for New Zealand.

Last year HUD was awarded 2m. square feet of land on Tsing Yi Island to build a shiprepair and conversion complex. Reclamation work is proceeding in Phase I, which will cost at least U.S.$50m., and will see a new 65,000 ton floating dock backed by limited shore facilities in operation in 1978-79. Another 100,000 ton floating dock may be added later. A neighbouring site on Tsing Yi has been granted by the Government to Hong Kong-based Mainland Chinese interests — Yiu Lian — presumably to help repair and service the increasingly more plentiful Chinese merchant navy ships seen in local waters.

This month Mr. Tung, with Chung Wah Shipbuilding and Engineering and Denmark's Burmeister and Wain, is finalising plans for Euroasia Dockyard and Construction Works, also on Tsing Yi. This yard will apparently aim at producing eight vessels of 15,000 tons a year.

Elsewhere in the harbour, the ferry fleet continued to expand, with a new triple decker, a fast new double decker, a conventional double decker and two more water (hover) taxis coming into operation. A second jetfoil joined the Hong Kong-Macao hydrofoil and ferry fleets, and the Macao Ferry Wharf in Hong Kong was extended by 500 feet. The famous Star Ferry company, owned by Hong Kong and Kowloon Wharf, saw increased competition from cross-harbour (tunnel) bus services, which contributed to a downward trend in passenger traffic. Passengers totalled 50.7m. compared with 53.2m. in 1975, down 4.7 per cent., but suspension of royalty payments to Government and an increase in fares enabled the company to operate profitably in the face of rising costs and diminishing traffic.

The number of vessels laid up remained relatively steady at about 20 in 1975 — Marine Department figures show 19 ships totalling 317,000 grt. tucked away in an area north of Lantau Island. Four of these are passenger liners — American Isbrandtsen's former Independence and Constitution, American President Line's President Wilson, and Union Castle's Pendennis Castle, which currently belongs to a wealthy Philippine shipowner. Inquiries about the ships have come recently from Arab interests, reportedly with floating hotels in mind. Asking prices are around $US5m. to $US6m.

Interestingly enough, passenger shipping through Hong Kong has picked up considerably in the first five months of 1977 — and ironically, it is China's more welcome admission of cruise liners to mainland ports and Russia's determined effort to capture a slice of the passenger market that are helping the recovery trend. Russia is presently using the Fedor Shalyapin, which used to be Cunard's Franconia, in the area. But it is curiosity over China that is luring ships like QE2 and Canberra to Hong Kong, from where passengers can travel to Canton, Shanghai and Peking. From January to May, 1977, passenger ship arrivals in Hong Kong were up 81 per cent., the gross tonnage of those vessels was up 96 per cent., and actual passenger arrivals increased by 101 per cent.

Hong Kong shipowners are, of course, among the world's largest. Most of their ships are concealed by Panamanian and Liberian registries, but conservatively they control 20m. to 25m. dwt. of shipping. As the tanker depression continues, men like Wah Kwong's Frank Chao have stated that most local owners have been unaffected since they either had ULCCs and VLCCs out on watertight charters or had moved into other types of vessels.

Ordering

OPEC policy and American rumblings about transporting oil io American-flag carriers remain a worry, but these considerations aside, men like Y. K. Pao are still ordering new tonnage—last April he placed contracts for another 15 medium-sized specialised vessels, totalling around 600,000 dwt, with Japanese yards. A few weeks later C. Y. Tung's son, C. H. Tung, announced that the group's container arm, Orient Overseas Container (Holdings) had made a record $US15m. operating profit (OOCHL is a small part of the total Tung Group—which has 107 vessels of approximately 7.5m. dwt). So all in all, it seems that the shipowners will weather the latest storm without too much difficulty.

Y. K. Pao continues his campaign for a Hong Kong Registry, but complications at the British end still forestall this proposal. In 1975 the Government collected a trifling $US13,000 in registration fees under the existing system—Pao's argument is that Hong Kong should become a haven like Liberia and Panama. A Liberian Bureau of Maritime Affairs is to open an office in Hong Kong in September, presumably so that better relations can be established with one of that country's biggest maritime customers.

B.M.

TEXTILES

Still a major force

HONG KONG'S textile and garment industries provide the backbone for its trade-dependent economy. In 1976, they accounted for 49 per cent. of manufacturing employment, 55 per cent. of domestic exports (total exports minus re-exports) and 14 per cent. of Gross Domestic Product.

The first half of 1977 has seen a series of warnings by prominent industrialists that these two basic industries face problems following a slowdown in cotton textile demand in world markets. The situation has varied considerably, with weaving and spinning industries, the earlier stage of the "production line," apparently hit harder than garment manufacturers and exporters themselves. The denim industry, whose success epitomised the boom in Hong Kong's textile industry as a whole in recent years, bore the brunt of the slowdown. However, here as elsewhere, further variations appeared, with manufacturers of higher quality goods reported to be working near or at capacity, despite the malaise affecting their colleagues producing more standard products. The recent past has thus seen a continuation of the trend towards "trading up," by producing higher grade products, a phenomenon that has become common in Hong Kong in the past decade in the face of stiffer competition from lower cost regional competitors such as South Korea and Taiwan.

Hong Kong's cotton spinners say they have been unable to recoup the high costs of their raw cotton purchases in their yarn selling prices. Both the spinning and weaving industries have reported the closure of some small mills, the suspension of weekend and night operations in other mills and, overall, lower capacity utilisation than last year. However, the situation is by no means uniform. Mr. Lam Kam-Shing, chairman of the Federation of Garment Manufacturers, noted that some local garment producers have raised wages to attract the more highly-skilled workers. Companies with full order books, particularly the larger ones, have thus lured workers away from their smaller competitors. The closure of several factories to date or during the course of this year is likely to affect the many smaller establishments which entered the market during the boom and are now feeling the pinch of overcompetition, higher wages and high rents. The back-street operators, perhaps the caricature of Hong Kong's so-called "sweated industries," will leave the market, in line with the workings of the colony's free market economy.

Inevitable

To a large extent the recent slowdown was inevitable following last year's boom. Hong Kong's domestic exports of garments (excluding fur garments) rose 40 per cent. in value last year to $HK14.1bn. ($1.76bn.) after a 16 per cent. increase in 1975. Textile fabric exports rose 46 per cent. to $HK2.35bn. (£294m.), while domestic exports as a whole increased by 43 per cent. However, in the first four months of 1977, the textile and garment industries fared significantly less well than the industrial sector as a whole. Clothing exports fell 9 per cent. from the corresponding period of 1976 to $HK3.8bn. (£478m.), while textile fabric exports dropped 18 per cent. to $HK601m. (£75m.). In the same period, domestic exports as a whole rose 6.6 per cent. and the textile/garment share of the total fell to under 50 per cent.

Hong Kong's manufacturing employment declined on average by 2 per cent. between the last quarter of 1976 and the first quarter of 1977. Employment in the garment industries fell by 2.5 per cent. and that in the textiles sector by 5 per cent. New textile production indices issued recently by the Government show physical production of the spinning and weaving industries reached a peak in the second quarter of 1976 and then fell sharply by the end of the year. Production fell 9 per cent. from the second quarter peak to the final quarter, when it was also 4 per cent. below the level in the last quarter of 1975. The situation is likely to have deteriorated further in 1977.

Mr. Y. C. Chen, chairman of the Cotton Spinners Association, estimates that capacity utilisation in the spinning and weaving industries has dropped to around 75 per cent. in the first half of this year from virtually 100 per cent. a year ago, but that the garment industry should be in a better position. The strength of the Hong Kong Dollar, high cotton prices and competition from Hong Kong's low cost neighbours have hit the industry as a whole, although the first two factors have eased recently.

The main uncertainty now overhanging the industry is the situation on world textile markets and particularly protectionism and economic uncertainties in importing countries and the future of the international Multi Fibre Arrangement (MFA). Nearly two-thirds of Hong Kong's textile and clothing exports are subject to restraints negotiated under the MFA. The MFA and most of the Colony's bilateral agreements run to the end of 1977 and the exact shape that the MFA may take after that is still very uncertain. In the recent background, as talks on the MFA renewal continue, Australia and Canada have extended protectionist measures affecting Hong Kong's clothing and textile exports and regular warning noises are heard from the EEC under pressure from its own declining textile industries. Hong Kong is currently engaged in protracted talks for a new textile agreement with the U.S., its largest market. South-East Asian developing countries clearly expect tougher restrictions on the textile trade after 1977 and the uncertainties are causing buyers to hesitate.

Recent Government surveys have indicated that, while industry as a whole expects an improvement in its general business situation to have continued in the first half of this year, with higher orders, that textile and garment industries were somewhat out of line. At the very least, uncertainty was greatest in these sectors, although some hopes have been expressed that a revival could come in the second half of the year. Mr. Chen said that fabric and garment inventories in the U.S. and major European markets are very low and any recovery could be rapid when it comes.

Protection

Hong Kong textile and garment industries are doing less well overall than in the recent past, although still remaining successful and a major force on world markets. They face considerable uncertainties without the possibility of Government protection, given Hong Kong's *laissez-faire* economic policies.

The slowdown reflects in part the extraordinary success in recent years, but also the world trade situation on which Hong Kong is totally dependent. The traditional flexibility of Hong Kong's manufacturing industry is already being shown in the production of higher-quality goods and the shift away from extreme concentration on denim as the boom has faded. It is also evident in gradual moves to diversify the Colony's industrial base generally, in an attempt to lessen dependence on the industries which spearheaded Hong Kong's post-war economic miracle.

R.J.

New railway takes shape

THE "X" FACTOR in transport planning is the effect of the underground railway on travel movements, which will depend on the railway's efficiency, fare structure and on whether the Administration gives the go-ahead for an extension to the Modified Initial System (an affirmative decision on the 10.75 km. link to Tsun Wan is expected in July).

The underground expects to be responsible for about 1m. out of 5.5m. daily passenger journeys by the mid-1980s, so its impact will be considerable. However, many of the metro passengers will use buses, trams, taxis and mini buses to get to and from the 15 stations: it is not that 1m. passengers will desert existing transport modes but that they will use them in different permutations.

This throws considerable uncertainty on to the existing operators, all of whom are engaged on studies of the possible effects. Hongkong Tramways, which carries 32,000-33,000 passengers in peak hours, with a headway of about 30 seconds along the north of Hong Kong Island, has already started discussions with the Administration on its plan for updating rolling stock.

Convenience

Apart from the pleasure and convenience of riding the trams —the Tourist Association lists the full 6.6 mile, 30 cent journey as one of the "bargains of the world"—a case can be made for their efficiency. For buses to achieve their load, a significantly wider right of way would be needed, as well as other space requirements like lay-bys. With a more firmly controlled right of way the management says the system could increase its 10 km. an hour speed and raise loads by 50 per cent.

But the stock of 162 trams and 22 trailers is old and an investment programme of HK$30-50m. is envisaged. The Government is involved because the company's franchise expires next year, and modernisation would be tied in with fare increases. In addition, the company wants assurances about if and when the metro's Island Line will be built, which would provide direct competition with the trams.

It can be argued that the Island Line or a modernised tramway is an "either-or" choice. But the underground would expect to appeal to longer haul passengers, while the trams serve shorter movements and are more directly competitive with buses and mini-buses. One option open to the Administration, therefore, is cutting its road building programme in the north of the Island, reducing bus and light bus operations and giving approval for an underground and an efficient tram system.

The managing director of the Mass Transit Railway Corporation, Dr. Tony Ridley, believes that "there is enough passenger movement to justify the construction of the MTR Island Line, but I have not seen evidence that there should be both the Island Line and the upgraded tramway system." He points out that the recommendations of the Government's consultants, Wilbur Smith and Associates, were inconclusive on this point. (One of the criticisms of their report is that it is all things to all men, and fails to give firm guidance on priorities, but the report itself sets out to be an aid to policy formulation, not a substitute for it. A White Paper is due this year.)

The MTRC is a vocal lobby for its own interests, and there is a danger that the Administration's commitment to having an underground that pays its way will give the Corporation a dominating voice in transport and that overall transport decisions will hinge on its needs rather than vice versa. It would be damaging if the need for the railway to repay its borrowing resulted in distortion of the Colony's cheap-fare, flexible public transport system.

Another area where the railway will have a major effect is on the existing cross-harbour services. The Secretary for the Environment, Mr. Derek Jones, has indicated that the Government is considering the question of subsidies for public transport companies affected by the railway, particularly the ferries.

The implications of the underground crossing can be gauged from the effect of the opening of the road tunnel in 1972 on the operations of the Hong Kong and Yaumati Ferry Company. From 1964 to 1971, the company's passengers increased from 145m. to 191m.

Since then, the total has decreased to last year's 112m. (the number of passengers using outlying islands services has risen, a factor partly attributable to a rising demand for recreation, which also has long-term transport implications).

Bridge

There is talk of a harbour bridge at Lei Yue Mun, but the capacity of the cross-harbour tunnel is being approached and it is difficult to make a case for a second road tunnel, which would generate still more demand (Mr. Jones recently turned down suggestions for a reduction in toll charges for the tunnel, which will repay its investment loan later this year, because even more than the present 70,000 vehicles a day would use the tunnel, thus creating congestion and diverting traffic from the ferries).

The Automobile Association was among those pressing for a toll reduction, but given the undisputed need for priority for public transport in such a congested place, it is difficult to feel sympathy for the motorists' lobby. Restraints on drivers are not as severe as in, say, Singapore, and price disincentives may have to be stepped up because there are signs that car ownership, which has been static for about three years, is about to rise again. Wilbur Smith advocated that by 1981 the licence fee should rise to HK$2,632 from the present HK$60 and that parking charges should be four times the 1973 level.

Despite the grousing of aggrieved expatriates on the morning radio phone-in about faded white lines, poorly marked lorries and concealed police speed traps, the standard of traffic management is generally high, particularly given the incidence of 180 registered vehicles per kilometre of road.

More than 85 per cent. of passenger trips are made on means whose movement depends on road availability, and the steady increase in goods vehicles, from 15,000 in 1967 to 33,000 in 1977, means that roads are a priority. But both cost and environmental impact (an element in the equation which finally is beginning to be considered in Hong Kong) dictate against unrestrained building and thus car ownership.

Among the major routes planned or under construction already are the $HK280m. 1.8km Aberdeen Tunnel, the $HK232m. first stage of the north-eastern coast road on the Island, the alarming $HK260m. Connaught road elevated expressway, the airport tunnel route (the section of Prince Edward Road near the airport carried 60,000 vehicles a day in 1965 on four lanes, and now handles 130,000 vehicles on its ten lanes), duplication of the Lion Rock tunnel and the construction of stage I of the Tuenmun Road.

The road to Tuenmun raises the issue of transport within and to the three major new towns, where the biggest problem is expected to arise from the expansion of Shatin. The Wilbur Smith study suggested that only the Kowloon-Canton Railway could avert a serious blockage in the Shatin corridor, and suggested electrification, double-tracking and an extension to Tsim Tsa Tsui if the metro is not given the go-ahead for the East Kowloon Line.

Transmark, the British Rail subsidiary, is carrying out a feasibility study for a $HK1.4bn. railway extension due to be submitted later this year. New sections under scrutiny include a 7.25km line to Kwaichung, a 28.18km stretch from Tuenmun to Taipo and a 4.43km line to Taipo industrial estate. Such developments would bear out the Wilbur Smith statement that "although it now accounts for only a very small proportion of Hong Kong's internal passenger movements, there are opportunities for the KCR to become a major element in the transport system."

D.N.

FISHING AND FARMING

An important buffer role

LOCAL PRESS reaction to the recent shooting of a trawlerman by a Vietnamese gunboat in the Gulf of Tonkin had echoes of Palmerstonian oratory. But the incident drew attention to the hazards faced by the men and women working Hong Kong's most important primary industry. Fishing is more important than farming in terms of meeting local demand, but still involves less than 2 per cent. of the working population, most living on board their boats with their families. About 90 per cent. marine fish consumed locally is produced by the Colony's own fleet of 5,600 vessels, which is largely owner-operated. Ten years ago the number of fishing boats working out of Hong Kong totalled 9,400, but modern trawlers, accounting for some 62 per cent. of the catch, require fewer crew.

As a result, the labour force in the industry has been declining at a rate of about 2 per cent. a year for 10 years, while the catch has increased 16 per cent. since 1971. Total production of fish and fishery products in 1976 amounted to 156,926 metric tons, with a value of $HK619m.

The industry is about to undergo a major transition because the principal fishery—demersal resource—is believed to be almost at its maximum sustainable yield. Fisheries economist John Cheng says that statistics indicate that stocks are gradually being depleted. However, the senior fisheries officer in charge of development, Roy Chilvers, points out that: "We have ascertained that there are considerable stocks of unexploited demersal fish at a depth of between 100 and 150 fathoms—that is, about 130 miles off the South China coast." But they are different species from those caught at the 60-fathom line, and the greater depths will necessitate additional investment to increase the warp carried on vessels.

It is now necessary to turn to pelagic fishery resources, which now account for some 20 per cent. of the Hong Kong sea fish catch and which are usually converted into fishmeal and fish balls. The Food and Agriculture Organisation has estimated that there are some 400,000 tonnes of untapped fisheries resources in the South China Sea. Their consumer acceptability is uncertain, and it may prove necessary to export in order to finance imports of proven popular fish types.

Fishing at present is largely confined to a 100-mile stretch of the adjacent continental shelf between Hainan and Swatow, although a few vessels venture up to 500 miles to the vicinity of the Paracels. There have been a number of cases of crews being arrested and catches confiscated in the territorial waters of neighbouring countries, although the May 29 shooting is apparently the first case of a fisherman being killed for alleged intrusion. Vessels operating in China's territorial waters must obtain a licence from the Peking authorities, a condition of which is that part of the catch must be discharged in Chinese ports. Last year was a transitional period for the termination of demersal investigations and planning of a programme for the survey and evaluation of pelagic fish stocks in the north section of the South China Sea.

Pond fish culture has been practised in the New Territories for some five centuries and the recent rate of development has been impressive. The 2,250 acres of fish ponds, producing 35,000 piculs of fish in 1970, rose to 3,550 acres and 74,000 piculs by 1975, mainly grey mullet. This represents a productivity increase from 16 piculs to the acre to almost 21. There are a number of problems, including heavy flooding from typhoons and inadequate quality of water and nutrient feeds, but with a little effort there is no reason why the average production of pond fish of 1 ton per acre should not be increased to 5 tons, which is already achieved by the most efficient producers, and even higher. Similarly the present emphasis on fresh water fish could be shifted to marine fin fish, crabs, abalone . . . almost anything required.

The farming sector accounts for only about 20 per cent. of local consumption, but plays an important buffer role in ameliorating the effects of shortages and price rises in the products of the Colony's main supplier, China. In the "three bitter years" of 1960-62, for example, when China was disrupted by internal upheavals, the Colony's pig and poultry producers boosted their output to cushion the effects.

Because of the hilly terrain, only about 12 per cent. of the total land area is used for farming, with farmers comprising 2.09 per cent. of the economically active population. The average age is above that of most other industries, because youngsters can make more money elsewhere.

Traditionally, the main product was rice, with two crops year. This has given way vegetable production yieldi up to six crops a year and givi a gross return per acre about times that of rice, and flow growing. Vegetables n account for about 86 per ce by value of all the crops p duced in the Colony on 12,(acres, or more than 40 per ce of all agricultural land.

To-day only about 5 per ce of the rice needed for inter consumption is produ locally, and the acreage for t crop has slumped from 23, in 1954 to 2,750 in 1976. Over local production as a percent of the total food bill fell f 23.3 per cent in 1972 to 16.5 cent. in 1975. In the s period, China's share of the rose from 46 to 53 per c Farms are generally small, of fragmented into small fiel many less than 0.5 hectare situation difficult to rem with at least 16 different w of holding land in the I Territories. The road gramme (often associated v water projects) has impr access to many areas and is couraging intensification of a culture in areas where land going out of production du lack of local labour. The a cultural area could easily extended to about 16 per c of the total area (40,000 ac with improved communicat and irrigation facilities, part larly in Shatankok, the Seik peninsula and Lantan Islan

Labour

This labour shortage i major problem for inter vegetable production. Ano difficulty is the effluent nuis from intensive livestock en prises, which often is dischar into rivers. Attempts to suade farmers to muck out l been seriously hampered by of disposal sites for man Comprehensive workable le lation is required before m advances can be made in c ing up agricultural waste, the Government is studyin report which it commissi from a consultancy firm on preparation of legislation.

Agricultural growth rate averaged 3.1 per cent. in terms in the last dec although in financial year 1 1976 it showed a 5 p decrease, mainly because c fall in crop and pig product The total value of crops livestock produced in 197 was HK$561m., giving annual gross return HK$27,000 an acre.

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The tobacco gamble

BY STUART ALEXANDER

TOBACCONISTS HAVE just received their first deliveries of cigarettes containing a proportion of tobacco substitutes. But behind all the pre-launch publicity there is a deep conflict of interests in which the substitutes have emerged as an unsatisfactory compromise.

They have been developed at great expense by an industry struggling to defend itself against increasingly strident criticism from both politicians and doctors on behalf of a public which is not really health conscious.

The abolitionists will not be happy about smoking in whatever form—for example, they claim that tobacco substitutes will increase smoking by encouraging people to think it is safe—and the manufacturers have already seen two launches of cigarettes with substitutes in West Germany and Switzerland fail to make any real impact.

Although there is a background trend of smokers switching to lower tar cigarettes, particularly in North America, there are other methods of lowering smoke and boosting the flavour that can produce less tar but maintain full flavour. In only a few months these will also be on the British market.

So a worried tobacco industry has only a short time to bring its multi-million pound gamble home with a horse that started running much later than expected because of delays in the approval to market the new substitutes. Also the products were designed partly in response to political rather than market-place pressure, although Celanese had been working on Cytrel in the U.S. for nearly 20 years and the Imperial Tobacco/ICI development of NSM (New Smoking Materials) has taken about five.

The market in the U.K. is big. We get through 130bn. cigarettes a year and the Exchequer takes about £1.7bn. a year in various taxes and duties on top of Corporation Tax from the manufacturers and in Income Tax from their employees and other taxes along the distributive and retail chain. The yield of all these taxes and duties is £2.5bn. a year, according to trade estimates.

Last year there was a 3 per cent. drop of weight of tobacco sold in the U.K., though a fall of only 1.5 per cent. in the number of cigarettes sold, as smokers traded down to smaller sizes—latest figures show a 4 per cent. drop in volume since June, 1976. There was also a slight decline in Holland, Belgium, Switzerland and France, the main cause, in every case, being price increases.

In the U.K. there has been the additional factor of a determination at the Department of Health and Social Security to reduce smoking, and the increasing activity and statements of the Royal College of Physicians, whose first report on smoking and health in 1962 caused such a stir.

In general the industry has slowly given ground and the smoker has paid more and more for cigarettes. The companies have gone along with some, but not all, of the demands made by Government, sometimes only grudgingly, sometimes kicking, but always preferring voluntary agreement to legislation.

Now they have agreed to a costly programme of long-term health studies on smokers of substitutes as part of the price for avoiding the referral of tobacco substitutes to scrutiny under the Medicines Act.

The materials themselves are a fairly simple wood-pulp cellulose, suitably treated to mix properly with tobacco. They are claimed to produce much less tar than tobacco and the tar is less biologically active than normal. They could be mixed with any type of cigarette, but have been used mainly in the low-tar sector.

Legislation

The development of tobacco substitutes can be defended on the commercial grounds that about 15 per cent. of cigarettes sold in the U.K. now fall in low or low-to-middle tar brackets and the proportion is increasing. This trend is helped by the continuing growth of smoking among women, who often prefer mild cigarettes. But over 80 per cent. of smokers still choose middle tar and this will be the next major target for the anti-smoking lobby, after its success in securing a promised ban on high tar.

The threat of legislation has been held over the industry's head for some years, but little has been done. In a speech in January, 1967, Mr. Kenneth Robinson, then Minister of Health, said there were suggestions that smoking should be restricted in shops, offices, cinemas, theatres and restaurants. Greater thought should be given to the non-smoker and the Government was writing to various trade associations to ask them for help.

Ten years later Mr. David Ennals, Secretary of State for Health, has made a very similar speech, though with some slightly stronger condemnation of smoking, and he received quite a lot of criticism for his pains.

The really significant event was the announcement last March that the industry had agreed to stop all advertising of cigarettes in the middle-to-high and high tar brackets by the end of 1978 and to withdraw all high tar cigarettes by March, 1979. This was followed last month by the report from the RCP that there should be a maximum of 15 milligrammes tar delivery, as against a present average of about 21 milligrammes.

There was already some unrest in the industry about giving way on high tar—the rules merely lower the ceiling and create a new high—but if the RCP proposal were to be accepted it would mean changing the contents, wrapping and filters of about 85 per cent. of the cigarettes sold in Britain, causing a revolution in public smoking tastes and habits.

So the industry itself has begun to move the argument more and more into the political arena. Political lobbying has been stepped up at Westminster and even on the Continent, and there is more emphasis on the individual's freedom to choose whether or not to smoke. Meanwhile the unions complain of the effect of price increases on the retail price index.

The manufacturers are approaching a point where they are prepared to dig in their heels. They feel that Mr. Ennals is over-reaching himself in asking the EEC to apply a higher tax to higher-tar cigarettes. The apparent failure of his move was foreseeable, especially in a community containing the State tobacco monopolies of France and Italy. In Germany there is a tradition of smoking cigarettes with a much lower tar and nicotine delivery.

While U.K. manufacturers have already agreed to a partial advertising ban including all radio and TV advertising—and are concluding details of an agreement to tighten controls on existing methods, the industry is against a total ban. Cigarette sales have sometimes increased in countries where a complete ban exists but manufacturers point out that advertising will give a chance of success to those cigarettes containing substitutes. Therefore they claim that advertising is needed to further the Government's aim of persuading smokers to switch to low-tar brands.

On the question of smoking in theatres, restaurants, concert halls, and other public places there is a feeling that the Government may be trying to legislate against what amounts to a basic lack of consideration for non-smokers. It is interesting to note, that British American Tobacco is running an advertising series in Germany and one of these advertisements reminds smokers of their duty to be considerate to non-smokers.

In his budget speech this year, Mr. Healey said there were compelling health reasons for increasing the tax on cigarettes. But when the price differential between neighbouring countries becomes too great, large-scale smuggling begins. In Denmark, where the tax is very high, so paradoxically is demand for very strong cigarettes, because smokers are reluctant to pay dearly for a smoke of "fresh air."

Criticism

The Government has temporarily fallen between two stools over the introduction of tobacco substitutes. It has encouraged the industry to place more emphasis on low tar varieties but is now worried that the public may delude itself into thinking it is smoking a healthy cigarette.

The approaches of the manufacturers of substitutes and of the cigarette manufacturers have been entirely different. Celanese began its work in the U.S. at a time when it was thought there might be a shortage of tobacco leaf. So the company set out to develop a substitute with characteristics suitable for blending with tobacco. The tobacco industry, on the other hand, has been responding to criticism from the health lobby.

Many of the tests carried out by the original developers were more concerned with the burning characteristics than medical aspects and the two are not always compatible. Nor does Celanese now wish to be made responsible for the health aspect of its product, a responsibility it feels lies with the cigarette manufacturers.

It is for this reason that there has been some criticism about the lack of independent testing of the health effects of the tobacco substitutes. While there are to be long-term studies beginning next year on users, many experts feel these should have been done before the new cigarettes were put on the market.

The Americans plus BAT and Rothmans are waiting in the wings. All have extensive knowledge of the use of flavour additives. Their introduction of additives in October will have been made considerably easier as the British market has been extensively and expensively primed to think in terms of low tar deliveries and to associate them closely with substantially reducing the health risk associated with smoking.

Rothmans, whose Cytrel brand, Peer Special, was first launched in Switzerland and will now be available in two versions here, has moved on and developed a tobacco essence, which is claimed to be low in tar and nicotine, and which it is blending into a brand named SL on sale in Holland, Belgium, Germany and Switzerland.

The company believes the way forward through the jungle of criticism is via technology and its chairman, Mr. Alexander Orlow, said recently that he would be glad to work on any scientific problem put up by any Government to see if the fears of other scientists about cigarettes could be allayed.

For the industry the next few weeks will indicate whether it will ever see a return on the investments in substitutes. Although some estimates expect three out of four smokers to try the new brands, sales may very well quickly drop away. It is even possible that there will be no real increase of smokers of cigarettes in the low-tar sector, but rather that brand loyalty will be shaken up by the introduction of cigarettes containing tobacco substitutes. Certainly the retail trade will very quickly sort out the laggards. It is unlikely that all 11 of the new "substitute" brands will survive.

And at the end of the year tax harmonisation with the EEC will further reduce the differentials in price between large and small cigarettes—it could even be cheaper to smoke some plain brands than their equivalent size filter-tip stablemate.

With the industry increasingly wishing to give the impression that it is trying to protect the smoker's health, the Government will be put under more pressure to take tough restrictive action against smoking. At that point the Government's compromise decision to encourage the manufacturers to go for tobacco substitutes could prove to have weakened the Government's stance of general opposition to smoking.

Letters to the Editor

Compulsory CCA supplement

From Mr. D. Boys.

Sir,—A fundamental principle of reporting the results and state of affairs of each and every company must be to make those figures comparable between one period and another and between one company and another. Inflation does distort the reported figures, so surely effort should be made to remove that obstacle to comparability. We should all like to see an end to current levels of inflation but for the time being even that is likely unrealistic. Yet many sensible and usually realistic accountants seem to be backing a motion to be put before a special meeting of the Institute of Chartered Accountants in England and Wales on July 6 stating that they "... do not wish any system of current cost accounting to be made compulsory."

Exposure draft 18 was not ideal; it had many areas which were left to the discretion of directors. This must add to the problem of non-comparability. Any form of voluntary current accounting, however, would undoubtedly be more subjective and more flexible, to say nothing of the fact that not every company would produce such accounts neither would they require auditing.

The proposed resolution, I suggest, will have a greater adverse effect on comparability than the introduction of a standard based on ED18. I would, however, suggest that since many specific elements of ED18 are still contested, a CCA supplement to the main historic cost accounts should be made compulsory until such time as a standard on accounting for inflation becomes acceptable, at which point it should then take over as the main form of accounts. This would assist in the evolution of a more accurate and consistent method of accounting for the effects of inflation and hopefully ... for more comparable ... in the meantime.

D. Boys,
Chestnut Drive,
...ter, Middlesex.

A need for figures

From Mr. D. Main.

Sir,—In my view, the most relevant part of the statement (June 30) from the Accounting Standards Committee is contained in the penultimate paragraph and reads "a generally acceptable system of current cost accounting is urgently necessary." Otherwise the statement appears to be abdication in the ... of uncertain defeat ... a nation we are resolute at ... irresolute. Consultation ... neither "a cloak for ... dictatorship" nor "an excuse for abdication." It appears that ... again we could either ... and for years discussing how ... implement CCA. I believe, however, that on this occasion ... business community will ... to push ahead regardless ... the accounting profession ... a need for meaningful ... is current.

...ald A. Main.
...ongu...
...perfield, Herts.

Current cost accounts

From Mr. J. Embrey.

Sir,—As a chartered accountant who voted in favour of the resolution recently put to the members of the Institute of Chartered Accountants in England and Wales, I cannot let your editorial "accountants against reality" (June 28) pass without comment.

I feel that your analysis of the reasons for opposition to "realistic accounting" is wide of the mark. I suggest that exposure draft 18 was trying to achieve too much too quickly. It should have applied merely to all listed companies and other companies, etc. whose turnover or total assets exceed £10m. It should be an audited supplementary set of accounts. Measurement of the effect of inflation can only be made if both historic and current cost accounts continue to be published together.

The treatment of overseas assets and operations in half a page out of nearly 100 is typical of the lack of depth in some areas of ED 18. The president of the institute in his message urging members to vote against the resolution admitted that ED 18 would "be substantially changed." In view of this it would not have been unreasonable for him to advise us that a further exposure draft would be issued. No such assurance was made. Members were asked, in effect, to rely on the council of the institute to ensure that the many problems were satisfactorily resolved. While advising us that time was needed to consider the serious and constructive submissions which have been received, the president did not offer members a further opportunity to vote at that time. A vote against compulsory current cost accounting will be as much a vote of no-confidence in the council of the institute as a vote against the principle.

I fear you are more interested in getting current cost accounts produced quickly rather than accurately.

J. D. Embrey.
128, Greenhill Avenue,
Sheffield.

Legal Services Commission

From the chairman, British Legal Association

Sir,—It is vital that, from the point of view of the public and the profession, the Royal Commission on Legal Services be seen to be impartial.

Very recently the Consumer's Association of which Mr. Peter Goldman, a Royal Commissioner, is director, published a report concerning solicitors in which some complimentary things were said, but calling for the abolition of the so-called monopoly in conveyancing. The LAG Bulletin, journal of the Legal Action Group, of which Miss Susan Marsden-Smedley, another Royal Commissioner, is director, carried an editorial in May 1977, critical of Part 1 of the Law Society's submission to the Royal Commission, saying that inter alia the Law Society's plan for legal services "must be rejected as the basis for an overall pattern for legal services for the future." LAG's proposals for a Legal Services Commission, contrary to implications in this document, would be no more bureaucratic and only a little more expensive in manpower. Both these organisations appear, therefore, to have reached concluded views on matters which are the subject of consideration by the Royal Commission on Legal Services.

If the president of the Law Society was a member of the Royal Commission one may imagine the very proper outcry that there would be. It is no less objectionable that those who are at the head of organisations which appear opposed to, or publicly critical of, lawyers should be, or remain, members of the Royal Commission. However objective they may personally be, their position has been made untenable. There may be other members of the Royal Commission who have been likewise involuntarily placed in a similarly embarrassing position. The whole position needs urgent review if justice is not only to be done to solicitors but to be seen to be done.

S. P. Best,
64, Highgate High Street,
Highgate, N.6.

Carp and chips

From Mr. F. Vogt.

Sir,—I have read with interest your review of the future of fish farming based on Dr. Purdom's paper (May 24). J. C. J. Domaniewski of Reading has already challenged some of the data in Nature of May 12, 1977, although the grass carp is not a particularly happy—or profitable—example within the context.

I feel, however, that the original basis of the argument is wrong. We must clearly differentiate between what I call sport and food production. Feeding trout—or other fish—46 per cent. protein feed to get 66 per cent. fish protein is not in my view food production. We might just as well eat the pellets in the first place. This has an added advantage: we do not have to worry about the bones. On the other hand, the mirror carp (cost to the continental consumer on par with steak) can be raised from zero consumable protein (that is, pig muck) to a maximum of 10 per cent. protein feed subject to intensity of management. It is this fish our research project, jointly with STWA, is based on.

As this carp is being raised in areas beyond its geographical limits we are helping it along with pond temperatures raised by solar energy. We expect it to breed earlier and regularly and to grow faster as it would in its natural environment. Later we hope to multi-culture it with roach.

I am not suggesting that the British public will take to carp and chips. But in Europe it is already used with all sorts of other species in blending. Actually this project (one of several) could set a dangerous precedent. It took five months flat from conception to commissioning.

Frederick Vogt
(Research Associate),
School of Environment,
The Polytechnic of Central London,
35, Marylebone Road, N.W.1.

The contract race

From Mr. G. Petty.

Sir,—Having read the article "Moment of truth" (June 25) mortgages are not the only obstacle that would-be buyers have to face. How many, I wonder, are now becoming aware for the first time of that most formidable of hurdles, "the contract race."

To the uninitiated, this is a situation whereby a seller (or his agent, that is, estate agent) accepts more than one offer for the same property and it is the buyer who completes first who wins the prize. The fact that another buyer has gone to the expense of solicitors and survey fees, matters not one jot to the seller, nor is there any concern expressed for the other potential buyers down the chain who see their particular prize snatched out of their grasp.

Our professional body representing the agents says, in effect, that providing it is not illegal, their members may take any steps to protect their clients' interests. Does one hear murmurs in the crowd of "unprofessional" or "unethical"? There can, however, be a twist to this situation for it can be the seller, not the buyer, who stumbles at the last hurdle.

After many months of negotiation I had an offer accepted for a converted property. This property, I ... proved difficult to sell and had been on the market for about nine months. A few days after my offer had been accepted, I was informed by the agent that a second offer had also been accepted. In short, "The contract race" was on.

Unlucky for the agent (and more still for his client), I felt a deep sense of indignation (in fact I was furious) and, although it put me in an embarrassing position vis-a-vis my buyer, I withdrew my offer and refused to toe the starting line. Some time later, the agent telephoned me to ask if I was still interested in the property (or, following a pregnant pause in response to my obvious question, the other prospective buyer had withdrawn!

Somewhere there must be a moral, a bird in the hand perhaps! As far as I am aware the property is still for sale.

G. N. Petty,
6, Rivacres,
Whitchurch Hill,
Pangbourne,
Berks.

The supply of gas

From Mr. M. Ellison

Sir,—I do not know whether to laugh or cry when I read of the excess profits made by the gas industry!

I have the misfortune to live in a village some four miles away from the nearest gas supply. The Gas Board refuses to supply gas "because it would not be profitable to do so." Therefore unfortunate householders have to rely on very expensive oil for central heating.

It is clear that one of the reasons why gas is so cheap and profitable is because it is not a "national" service and is supplied only where a profit can be made. It is a good job that the Electricity Board and Post Office telephones do not take this view of supplying small groups of consumers!

Can I suggest, therefore, that the Gas Board be made to use its excess profitability to supply its product on a truly "national" basis. If not, by all means have a tax on gas to adjust prices or better still have a common pricing policy through taxes and subsidies to even out costs on the basis of energy supplied. My heating oil is taxed why should not gas be also?

M. D. Ellison.
Wyndley,
Sutton-on-the-Forest,
York.

Sweet and sour

From Grp. Capt. P. Broad, RAF (Retd.).

Sir,—I was very interested in Arthur Hellyer's article on the scent of flowers of June 25.

To my mind, the greatest obstacle to intelligent description and discussion of odours is not so much our inadequate vocabulary—that can be remedied—as the fact that scents can smell quite differently to different people. It is not just that some of us cannot detect certain scents or can smell them but faintly (most people suffer from this disability to some degree) but what smells sweet to one man can be sour to another.

Thus, while the scent of the mock oranges is sharp and lemony to Mr. Hellyer, it is sweet—sometimes too sweet—to me and many others. To my nose some of the strongest lemony scents come from the tall flag irises; but these may well smell differently to him. There is also a medium-sized bronze iris which smells of chocolate to me, and I cannot help wondering how it smells to Mr. Hellyer.

In regard to roses, I would suggest that both the head-banging tendency and the scent Mr. Hellyer calls "damask" come from Parke's Yellow Tea Scented China. Brought to Europe in the 1830s, this Eastern rose gave rise to a line of famous climbers—the tea noisettes—in which the sweet, penetrating tea scent (it is not the scent of tea, but there was a fashion for highly scented teas at that time) is developed much more powerfully than in their later descendants. Gloire de Dijon and Marechal Niel are two of those early tea noisettes, and I should be delighted for Mr. Hellyer to smell mine if he is ever in this district.

The above is not to say that most damask roses are not pleasantly and strongly scented, but they vary individually so that, to me at least, there is no typical damask scent. Indeed, one of the very early damasks, Trigentipetala (which is reputed to have been in the garden of King Croesus and is now grown for attar at Kazanlik in Bulgaria) smells unbearably of musk. I know of no other rose with the musk scent (which I detest) and can detect no trace of it in the modern "musk roses." Of course, the fault is probably in my nose.

Finally, the peppermint spicyness that Mr. Hellyer finds in many modern roses is almost certainly due to crossings with rosa foetida (in the form of the "Austrian Yellow" and "Austrian Copper") late last century. As a result, nearly every garden rose produced since 1900 has this spicyness, though in some cases it is very faint. Personally, I do not like it, and this is one of the reasons why I do not grow modern roses.

Peter Broad.
28, Fishpool Street,
St. Albans, Herts.

Deficits and recessions

From Mr. T. Arthur.

Sir,—One's despair at the economic establishment's continued shunning of the "Austrian school" (of which a leading exponent is F. A. Hayek) is increased by your leader of June 30.

You, too, appear to have joined the Establishment in saying "It is common ground between the contending economic schools that a public deficit is appropriate in recession years." This is certainly not a view supported by the Austrian school. Indeed another of its leading exponents, U.S. economist Murrey Rothbard, has the following to say in his book "America's Great Depression":

"In sum, the proper government policy in a depression is strict laissez-faire, including stringent budget-slashing, and coupled perhaps with positive encouragement for credit contraction."

So much for common ground!

T. G. Arthur.
3, Yateley Road,
Edgbaston, Birmingham.

GENERAL

Treasury issues figures of U.K. official reserves for June.

House of Commons debates Scottish National Party-Plaid Cymru motion of no confidence in Government.

High Court hearing in which Grunwick Processing Laboratories challenge finding by Advisory, Conciliation and Arbitration Service that company should recognise Association of Professional, Executive, Clerical and Computer Staff (APEX).

New session of European Parliament begins, Luxembourg (until July 8).

Mr. John Graham and Mr. Stephen Low, U.K. and U.S. members of consultative group on Rhodesia, begin further visit to southern Africa.

To-day's Events

Mr. Janos Kadar, Hungarian Communist Party leader, begins four-day official visit to West Germany.

Transport and General Workers' Union conference opens, Douglas, Isle of Man.

National Union of Mineworkers' conference begins, Tynemouth.

CBI Employment Policy Committee meets.

Two-day "London Looks Forward" conference opens, Queen Elizabeth Hall, S.E.1.

Royal Show opens, National Agricultural Centre, Kenilworth (until July 7).

PARLIAMENTARY BUSINESS

House of Commons: Debate on motion by Scottish National Party and Plaid Cymru to reduce Prime Minister's salary. Remaining stages of Passenger Vehicles (Experimental Areas) Bill.

House of Lords: Licensing (Amendment) Bill, committee. Report stages of Rent Charges Bill, Unfair Contract Terms Bill, Insurance Brokers (Registration) Bill and Water Charges Equalisation Bill. Debate on charity law.

OFFICIAL STATISTICS

Capital issues and redemptions during June. Hire-purchase and other instalment credit business (May). Retail sales (May, final).

COMPANY MEETINGS

See Week's Financial Diary on page 6.

The Application List for the shares now offered for sale will open at 10 a.m. on Thursday, 7th July, 1977 and may be closed at any time thereafter.

London & Scottish Marine Oil Company Limited

(Incorporated in England under the Companies Acts 1948 to 1967; Registered Number 1008965)

Offer for Sale by Morgan Grenfell & Co. Limited

of 8,500,000 Ordinary Shares of 25p each at 155p per share payable in full on application.

DIRECTORS

GEORGE FREDERICK BEAUMONT GRANT *(Chairman)*, Church House, Washington, Pulborough, Sussex RH20 4AS.

GEOFFREY WILLIAM SEARLE, C.B.E., D.S.C. *(Deputy Chairman and Managing Director)*, 104 Mountjoy House, Barbican, London EC2Y 8BP.

MICHAEL JEREMY KINDERSLEY BELMONT, Gaunt House, Standlake, Oxfordshire OX8 7QA.

EDWARD BINKS, White Lodge, Adel Lane, Leeds LS16 8BP.

WILLIAM GRANT COCHRANE, 4 Primrose Bank Road, Edinburgh EH5 3JH.

WILLIAM WAYNE GREENTREE *(Canadian)*, Woodside, Welcomes Road, Kenley, Surrey CR2 5HA.

JOHN MICHAEL PIERCE *(Canadian)*, 716 Elbow Drive S.W., Calgary, Alberta T2S 2J1, Canada.

DENNIS FENICK GEORGE STROUD, Newstead Abbey Park, Linby, Nottinghamshire NG15 8GE.

EDMUND HOYLE VESTEY, Waltons, Ashdon, Saffron Walden, Essex CB10 2JD.

Secretary and Registered Office
Kenneth Aylmer Bromfield, F.C.A., 9 Henrietta Place, London W1M 9AG.

Bankers
Williams & Glyn's Bank Limited, 67 Lombard Street, London EC3P 3DL.
The Royal Bank of Scotland Limited, 62 Lombard Street, London EC3P 3OE.

Issuing House
Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX.

Receiving Bankers, Registrars and Transfer Office
Williams & Glyn's Registrars Limited, 16 Old Broad Street, London EC2N 1OL.

Brokers
Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN, and The Stock Exchange.
R. C. Greig & Co., 139 St. Vincent Street, Glasgow G2 5JP, and The Stock Exchange.

Solicitors to LSMO
Slaughter and May, 35 Basinghall Street, London EC2V 5DB.

Solicitors to Morgan Grenfell & Co. Limited
Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH.

Auditors and Joint Reporting Accountants
Whinney Murray & Co., *Chartered Accountants*, 57 Chiswell Street, London EC1Y 4SY.

Joint Reporting Accountants
Arthur Young McClelland Moores & Co., *Chartered Accountants*, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL.

Technical Advisers
Ranger Oil (U.K.) Limited, Ranger House, 69/71 Great Peter Street, London SW1P 2BN.

Reporting Petroleum Consultants
DeGolyer and MacNaughton, One Energy Square, Dallas, Texas 75206, U.S.A.

Trustee for the Oil Production Stock
Commercial Union Assurance Company Limited, St. Helen's, 1 Undershaft, London EC3P 3DQ.

Trustee for the 14 per cent. Unsecured Loan Stock 1981/83
General Accident Fire and Life Assurance Corporation Limited, General Buildings, Perth PH1 5TP.

SHARE CAPITAL

Application has been made to the Council of The Stock Exchange for admission to the Official List of the Ordinary Shares of LSMO, issued and now being issued.

Authorised		*Issued and now being issued fully paid*
£15,000,000	In Ordinary Shares of 25p each	£12,151,059

LOAN CAPITAL

Oil Production Stock (in Units of 10p each)	£750,000
14 per cent. Unsecured Loan Stock 1981/83	£75,000,000

Save as disclosed herein and other than intra-group indebtedness, neither LSMO nor any of its subsidiaries had outstanding on 10th June, 1977 any borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances or acceptance credits, mortgages, charges, hire purchase commitments or, except in the ordinary course of business, guarantees or other material contingent liabilities. Commitments arising from LSMO's participation in the Ninian Project are mentioned below.

Introduction

London & Scottish Marine Oil Company Limited ("LSMO"), was formed for the purpose of exploring for and producing oil and gas, principally in the United Kingdom sector of the North Sea. The principal asset of LSMO is an interest, provisionally agreed at 9 per cent., in the Ninian Field, from which commercial production is scheduled to commence in the first half of 1978. LSMO also has a number of other oil exploration interests.

This Offer for Sale is being made in connection with an application to the Council of The Stock Exchange for a listing of the Ordinary Shares of LSMO and for the purpose of raising further permanent capital.

The Oil Production Stock ("OPS") and 14 per cent. Unsecured Loan Stock 1981/83 ("Loan Stock") of LSMO, which were issued to finance part of the development costs of the Ninian Project, are already listed on The Stock Exchange. The OPS entitles the holders to receive half-yearly payments equivalent to 8.75 per cent. of the value of petroleum production (less certain operating costs and Government royalty) from LSMO's interest in the Ninian Field. Holders thus participate in changes in the volume and the value, expressed in sterling terms, of such production. In June 1977, LSMO arranged bank facilities totalling £35 million to provide further finance for its share of the development costs of the Ninian Project.

The Ninian Project is well advanced, the first production platform having been towed out and positioned in May 1977, and companies with substantial interests and experience in the oil industry are committing large sums to the Project. However, investment in oil exploration and development carries a high degree of risk, and factors such as economic and weather conditions can have a major effect on the timing, progress and outcome of the Ninian Project. Moreover, each participant has only limited voting power on decisions relating to the Ninian Project, including the rate of production; LSMO's provisionally agreed interest confers a 9 per cent. voting right.

The Directors of LSMO stress that the illustrations of results and cash flows in Appendix V should on no account be taken as forecasts, and should be read in conjunction with the principal assumptions and notes. It should be noted that LSMO will incur losses at least until the commencement of commercial production of oil from the Ninian Field and that, as explained in paragraph 9 of part 1 of this document, these losses will create a deficiency in shareholders' funds, which is expected to be temporary. Delays in the commencement of commercial production or unbudgeted increases in capital costs could have a significant adverse effect on profits and cash requirements.

Part 1: The Company

1 HISTORY AND BUSINESS

London & Scottish Marine Oil Company Limited ("LSMO") was incorporated in England on 23rd April, 1971 for the purpose of exploring for and producing oil and gas, principally in the United Kingdom sector of the North Sea.

In January 1977, LSMO merged with Scottish Canadian Oil & Transportation Company Limited ("SCOT") by means of a share exchange offer whereby SCOT, which was incorporated in 1970, became a wholly-owned subsidiary of LSMO. LSMO and SCOT have similar objects and interests and, before the merger, had a number of shareholders, directors and executives in common.

In 1970, SCOT, in association with another company, was granted a Licence (P.114) to explore for and produce oil and gas in the United Kingdom sector of the North Sea. In 1972, LSMO and SCOT were granted two such Licences (P.199 and P.229) and LSMO one further Licence (P.128), in each case in association with others. During 1975, LSMO extended its interests in its three Licences by acquisitions from Cawoods Holdings Limited and National Carbonising Company, Limited.

In January 1974, oil was discovered in Block 3/8 (Licence P.199), in which LSMO has a 23 per cent. interest and SCOT has a 7 per cent. interest, and the existence of a major oil field in that Block and in the adjacent Block 3/3 was subsequently confirmed as a result of further exploratory drilling. The field, which is one of the largest yet discovered in the United Kingdom sector of the North Sea, is named the Ninian Field. Development of the Ninian Field, in which LSMO and SCOT's combined interest is provisionally agreed at 9 per cent., is now well advanced, and commercial production of oil is scheduled to commence in the first half of 1978.

In February 1976, LSMO and SCOT raised approximately £73.3 million (net of expenses) by the issue of Oil Production Stock ("OPS") and 14 per cent. Unsecured Loan Stock 1981/83 ("Loan Stock"). The purpose of the issues was to enable the two companies to finance the major part of their share of the cost of developing the Ninian Field. As part of the arrangements for the merger with SCOT, LSMO issued further OPS and Loan Stock to replace the OPS and Loan Stock of SCOT. The OPS and the Loan Stock of LSMO are listed on The Stock Exchange. In June 1977, LSMO arranged bank facilities of £35 million to cover the expected peak financing requirement for LSMO's and SCOT's share of the Ninian Project.

Since their formation, LSMO and SCOT have been advised by Ranger Oil (U.K.) Limited ("Ranger") in relation to applications for Licences, exploration of areas awarded, development of the Ninian Field and other technical matters. Ranger, which is a participant in all the Licences in which LSMO and SCOT have interests, is a wholly-owned subsidiary of Ranger Oil (Canada) Limited ("Ranger Canada"), a listed Canadian company whose business is the exploration for, and development and production of, oil and gas in several areas of the world.

References in this document to "the Directors" are to the Directors of LSMO. Further references in parts 1 and 2 of this document to "LSMO" should be taken, where appropriate, to include SCOT.

2 LICENCE AND OTHER INTERESTS

LSMO is a participant in the following Licences, the locations of whi shown in the map below and details of which are set out in Appendix I

Licence P.199

LSMO has a 30 per cent. interest in Licence P.199 covering 3/8, which contains part of the Ninian Field described in detail in graph 3 and in part 2 of this document.

Two wells have been drilled on Block 3/8 on structures othe Ninian. Well 3/8-3, drilled on a geological structure south of the Field, discovered a hydrocarbon accumulation. A successful ste well to this discovery has been drilled on Block 3/7, in which L does not have an interest. Further exploratory drilling, for which the at present no plans, will be required to appraise the significance c structure. Another well, 3/8-4, has tested a possible extension into 3/8 of the Alwyn Field, discovered by the Total group in 1973. F activity is dependent on the commercial development of the Alwyn Fie

The participants in Licence P.199 expect that a further well w drilled on Block 3/8 on another structure outside Ninian, but a de es to the timing has not yet been made.

Licence P.114

LSMO has a 45 per cent. interest in Licence P.114, which c (after relinquishments in 1976 under the terms of the Licence) B 23/27 and 22/27a. The fourth well drilled under this Licence disco oil on Block 23/27. In tests, oil flowed at a stabilised rate in exce 3,000 barrels per day with no water recovery from a portion of a thic bearing sandstone reservoir. The low sulphur oil has a gravity c degrees API with an average gas-oil ratio of 650 cubic feet per b No decision has yet been taken with respect to the further explor drilling which will be required to appraise fully the commercial signific of this discovery.

Licence P.128

LSMO has a 22.5 per cent. interest in Licence P.128, which c Blocks 48/18b and 48/19b. A gas discovery was made on the forme it is not considered to be commercial at this time. There are at pr no plans for further exploration on this Licence.

Licence P.229

LSMO has a 51 per cent. interest in Licence P.229, which c Blocks 3/30, 4/21, 4/26 and 21/18. Two wells were drilled in 1 but were plugged and abandoned. There are at present no plan further exploration on this Licence.

The possibility of farming out selected portions of the areas covere Licences P.114, P.128 and P.229 is being investigated, but no agreements yet been reached.

A summary of the principal terms governing each of the Licences is g in Appendix II. The minimum work obligation imposed by each of the Lice in which LSMO has an interest has been completed and, as far as the Dire are aware, all other provisions of the Licences have been complied with.

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As explained in Appendix II, a licensee must surrender half the acreage of ... area covered by a Licence six years after its issue. Accordingly, in 1976, the licensees of Licence P.114 relinquished their interests in Blocks 22/19 and 23/11, and part of their interest in Block 22/27: the part of Block 22/27 retained was designated 22/27a. In 1978, relinquishments must be made in respect of licences P.128, P.199 and P.229, but the Directors consider that such relinquishments will not require LSMO to surrender any interest in the Ninian Field or in any other area at present considered to be of commercial value.

LSMO made an unsuccessful application for a licence in the fifth round of offshore petroleum production licensing which was announced by the Department of Energy in July 1976. The application was made by a consortium led by Ranger and was for five blocks which were selected as having a high possibility of hydrocarbons.

European Marine Oil N.V.

European Marine Oil (Ireland) Limited

LSMO owns 300,000 shares of US $1 par value fully paid in European Marine Oil N.V. ("EMO"), which represents 15 per cent. of EMO's issued equity capital. EMO, which is incorporated in the Netherlands Antilles, is a member of drilling partnerships which have explored for oil and gas in North America, and EMO now has small gas producing interests. The Operator for each of these projects is Ranger Canada or one of its subsidiaries.

EMO owns 66 shares and LSMO owns 34 shares of the 100 issued shares of £1 each of European Marine Oil (Ireland) Limited ("EMO Ireland"), which is incorporated in the Republic of Ireland. EMO Ireland has a 22.67 per cent. interest in Exploration Licence No. 8/76 relating to Blocks 13/2 (Donegal basin), 63/3 and 63/8 (Fastnet basin) in the Republic of Ireland's offshore areas. During May 1977, a well was drilled on Block 63/8 and subsequently plugged and abandoned. This well, which was the first drilled under the Licence, completes the work obligation on the Licence. LSMO's investment in EMO Ireland was made in 1977 and amounts to approximately £100,000.

3 BRIEF DESCRIPTION OF THE NINIAN PROJECT

The principal asset of LSMO is its interest in the Ninian Field, which is provisionally agreed at 9 per cent. and is subject to redetermination as indicated in paragraph 13(b) of part 2 of this document. As a participant in the Ninian Field, LSMO has an interest in the whole of the Ninian Project ("the Project"), which is described in greater detail in part 2 of this document. The Project comprises the development of the Ninian Field, the construction of the Ninian pipeline and a share in the terminal facilities now being built at Sullom Voe in the Shetland Islands.

The Ninian Field is located some 85 miles east of the Shetland Islands in water approximately 450 feet deep. The oil reservoir lies some 10,000 feet below sea level in Middle Jurassic sandstone, which has proved productive elsewhere in the North Sea.

The Ninian Field is being developed as a joint enterprise between the participants in Blocks 3/3 and 3/8. The Project is managed by the Ninian Management Committee ("NMC") and other committees, on which the participants in the Ninian Field are represented. Chevron Petroleum (U.K.) Limited ("Chevron") is the Operator for the Ninian Field, and BP Petroleum Development Limited ("BP") is the Constructor and Operator for the Ninian pipeline and Constructor for the terminal facilities. Certain decisions of NMC require unanimous agreement. All other decisions require the affirmative vote of three or more participants having a combined voting interest of not less than ... per cent. (provided that no single participant, or participants which are associated companies, can alone prevent a motion being carried), and such decisions are then binding on all participants in the Ninian Field. An individual participant, on the basis of the present interests, can only exercise limited voting power on decisions relating to the Project.

NMC has decided on a three platform development, the platforms to be located in the southern, central and northern portions of the reservoir. The southern platform was successfully towed out and positioned in May 1977. Drilling of the development wells is scheduled to commence in the fourth quarter of 1977 and commercial production is expected to commence from this platform in the first half of 1978. The central platform is scheduled to be positioned in October 1977, with production scheduled to commence in mid-1978. There is, however, at present some delay in construction work and it is possible that this platform will not be positioned until April or May 1978. In this event, certain work which would normally be carried out in the North Sea will be carried out during the winter at the construction site, and production from this platform is then expected to commence in the third quarter of 1978. The northern platform has been ordered and is scheduled to be positioned in the summer of 1978; production from this platform is expected to commence in the second ... of 1979. The southern and central platforms are designed to be capable of independent operation.

The main Ninian pipeline has been laid and tested, and burial is virtually complete. The feeder line from the southern platform to the site of the central platform has been laid, tested and buried.

The terminal facilities at Sullom Voe, which are under construction, include treatment, storage and loading facilities. Although terminal construction has been subject to delay, facilities adequate to handle production from the Ninian Field are expected to be available by April 1978.

It is estimated that the cost of the Project in the period 1974 to 1982 will amount to £1,377.1 million, of which LSMO's share, on the basis of its provisionally agreed interest, would be £123.9 million. The estimates contain substantial provisions for escalation and contingencies. A breakdown of the estimated costs is set out in paragraph 16 of part 2 of this document.

A firm of independent petroleum consultants, DeGolyer and MacNaughton, was instructed to report on the reserves in the Ninian Field and to produce certain production forecasts. The report is set out in Appendix I. It will be seen from that report that DeGolyer and MacNaughton estimates, on the basis of the information provided to it by holders of the Licences, that the recoverable oil from the Ninian Field is 972,253,000 barrels of proved oil reserves and 146,065,000 barrels of probable oil reserves.

DeGolyer and MacNaughton has predicted annual production from the Ninian Field on the basis of information on the planned development programme provided by LSMO. In Case 1, it has been assumed that production will commence from the southern platform in March 1978, from the central platform in June 1978 and from the northern platform in September 1979, and DeGolyer and MacNaughton has predicted that oil recoverable by the end of ... will be 1,048.1 million barrels. In Case 2, it has been assumed that production from the central platform will be delayed until September 1978, and DeGolyer and MacNaughton has predicted that oil recoverable by the end of ... will be 1,042.1 million barrels. The delay would affect production most significantly in 1978, when the average daily production would be reduced from approximately 84,000 barrels per day to approximately 61,000 barrels per day.

DIRECTORS AND MANAGEMENT

Mr. G. F. B. Grant, the Chairman, is Deputy Chairman of Commercial Union Assurance Company Limited and a Director of Witan Investment Company Limited, both of which companies are shareholders in LSMO. He has been Chairman of LSMO since August 1971.

Mr. G. W. Searle, the only executive Director of LSMO, has been Managing Director since August 1974 and has recently been appointed Deputy Chairman. Mr. Searle joined the Anglo-Iranian Oil Company Limited (now The British Petroleum Company Limited) in 1946 and, prior to his retirement in ... 1974, was Director of Finance and Planning and Chairman of the Executive Committee of BP Trading Limited, the principal trading subsidiary of The British Petroleum Company Limited. Mr. Searle, who is 63, is also Chairman of Star Offshore Services Limited, a company formed in 1974 to provide services for the oil industry in offshore operations.

Mr. M. J. K. Belmont is a partner in Cazenove & Co., Members of The Stock Exchange, and is also a Director of EMO and EMO Ireland.

Mr. E. Binks is Chairman and Managing Director of Cawoods Holdings Limited, which has substantial interests in distribution of oil products and is a shareholder in LSMO.

Mr. W. G. Cochrane is the Manager of The Edinburgh Investment Trust Limited, a shareholder in LSMO.

Mr. W. W. Greentree is Managing Director of Ranger and has twenty ... experience in the oil industry.

Mr. J. M. Pierce, the President of and a substantial shareholder in Ranger Canada, has extensive experience in the oil industry. He is also Chairman of Ranger and a Director of EMO and EMO Ireland.

Mr. D. F. G. Stroud is a Director and chief executive of National Carbonising Company, Limited, the principal activity of which is the manufacture of smokeless fuel, and which is a shareholder in LSMO.

Mr. E. H. Vestey is Chairman of Blue Star Line Limited, a shareholder in ..., and has other substantial business interests.

Mr. Grant has indicated his intention to retire as Chairman and a Director of LSMO at the date of the 1978 Annual General Meeting, and it is intended that Mr. Searle will then become Chairman.

LSMO relies on Ranger for technical advice relating to the Project and exploration interests, and at present has ten employees, who are concerned principally with finance and administration.

SERVICES PROVIDED BY RANGER

Under agreements dated 21st January, 1976 (but deemed to have been operative since 1st July, 1974), Ranger provides LSMO with administrative and supervisory services and general advice on technical aspects in relation to the Project. Ranger represents LSMO on NMC and other committees relating to the Project on which LSMO is entitled to be represented and, unless instructed by LSMO, is entitled to vote and commit LSMO as it deems appropriate.

The consideration payable to Ranger by LSMO under the agreements consists of LSMO's proportionate share of the expenses (excluding capital expenditure on the Project) incurred by Ranger in relation to the Project, and a sum in respect of services in relation to the Project provided by Ranger Canada outside the United Kingdom. The amounts payable in respect of 1976 under these agreements totalled £387,000. Ranger Canada has undertaken to ensure that Ranger is at all times in a position to fulfil its obligations under these agreements, which continue until 1999 unless previously terminated by either party giving not less than twelve months' notice.

Ranger acts as Operator in respect of Licences P.114, P.128 and P.229 and represents LSMO in dealings with BP as Operator in respect of Licence P.199.

Although the agreements referred to above apply only to Ranger's services in connection with the Project, LSMO has been able to rely under informal arrangements on Ranger's technical and other supporting services in connection with the whole of its exploration programme.

Ranger first carried out an extensive technical survey of the United Kingdom sector of the North Sea in 1964 when it applied, unsuccessfully, for a production licence in the first round of licensing awards. In 1970, it was granted an interest in Licence P.114 with SCOT, and in 1972 it was granted an interest in Licences P.128, P.199 and P.229. Since 1970, Ranger as Operator has drilled eight wells in the United Kingdom sector of the North Sea. It has also participated with BP, Chevron or Esso Exploration Norway Inc. in eight further wells in the North Sea. Over the past seven years, Ranger has maintained in the United Kingdom an experienced team of engineers, geologists, geophysicists and management personnel.

6 STATE PARTICIPATION

The Government's policy regarding participation was described in outline in the White Paper "U.K. Offshore Oil and Gas Policy", which was published in 1974. Discussions between the Government and LSMO began in January 1975, and, in May 1975, LSMO was among the first companies to agree to the principle of majority state participation.

Letters from the Department of Energy dated 14th November, 1975 and 20th January, 1976 were set out in the prospectus relating to the issues of OPS and Loan Stock. Each of these letters indicated that participation would result in LSMO being financially neither better nor worse off. The later letter indicated that a participation agreement could take a form by which the British National Oil Corporation ("BNOC") would obtain title to 51 per cent. of LSMO's interest in the Ninian Field, participating in the operating committees and enjoying its proportionate voting rights: LSMO would remain responsible for all exploration, development and operating costs but would continue to own beneficially all relevant assets and petroleum produced, subject to BNOC having an option to purchase 51 per cent. of the production at market price.

In February 1976, the Government signed the first legally binding participation agreements with two companies with interests in commercial oil discoveries in the United Kingdom Continental Shelf, and a small number of further such agreements has since been completed. In addition, memoranda of understanding or similar commitments have been entered into by a number of companies; further negotiations will be required before these result in legally binding agreements. LSMO continues to have detailed discussions with the Department of Energy and BNOC and is currently negotiating terms for participation in keeping with the basic principle that LSMO should be financially neither better nor worse off.

7 FINANCING ARRANGEMENTS

In February 1976, LSMO and SCOT raised in aggregate approximately £73.3 million (net of expenses) by separate issues of OPS and Loan Stock, which were consolidated into single issues of OPS and Loan Stock of LSMO in February 1977 as part of the arrangements whereby LSMO merged with SCOT. The purpose of these issues was to finance the major part of the two companies' share of the development costs of the Project and to refinance, on a longer term basis, short-term loans, which had been provided mainly by shareholders. The OPS and the Loan Stock are listed on The Stock Exchange.

The OPS entitles the holders to receive half-yearly payments equivalent to 8.75 per cent. of the value of petroleum production (less certain operating costs and Government royalty) from an interest in the Ninian Field equivalent to the present combined interests of LSMO and SCOT. Holders thus participate in changes in both the volume and the value, expressed in sterling terms, of such production.

The proceeds of the issues of OPS and Loan Stock were designed to cover a substantial proportion, but not all, of the cost of LSMO's and SCOT's share of the Project, because it was considered that, in view of the uncertainties inherent in any such project, it was right to leave decisions as to the amounts of further moneys required and the methods to be adopted to provide them until the actual needs had become clearer.

In June 1977, LSMO obtained an unsecured term loan facility of £30 million from a consortium of banks led by Williams & Glyn's Bank Limited ("Williams & Glyn's"). LSMO may draw down the facility between 20th July, 1977 and 10th September, 1979, with not more than £5.4 million being drawn prior to 1st January, 1978. Repayment is scheduled to take place in five equal quarterly instalments commencing on 10th December, 1979. Williams & Glyn's have also agreed to make available to LSMO an overdraft facility of £5 million until 30th September, 1979. These facilities are conditional upon the Ordinary Shares of LSMO being admitted to the Official List on or before 8th July, 1977.

Further details of the OPS, the Loan Stock and the bank facilities are given in Appendix VI.

Money for expenditure on exploration has been provided mainly by issues of equity capital.

8 REASONS FOR OFFER FOR SALE AND PROCEEDS OF ISSUE OF FURTHER ORDINARY SHARES

This Offer for Sale is being made in connection with an application to the Council of The Stock Exchange for a listing of the Ordinary Shares of LSMO and for the purpose of raising further permanent capital.

Of the 8,500,000 Ordinary Shares of 25p each now offered for sale, 6,600,000 shares will, subject to the Ordinary Shares of LSMO being admitted to the Official List on or before 8th July, 1977, be subscribed by Morgan Grenfell & Co. Limited ("Morgan Grenfell") at a price of 151.9p per share. The net proceeds of issue of these Ordinary Shares, after deduction of all expenses of this Offer for Sale payable by LSMO (estimated at £520,000), are estimated to amount to approximately £9.5 million. The remainder of the Ordinary Shares now offered for sale will, subject to listing, be acquired by Morgan Grenfell from existing shareholders.

The proceeds of issue of the new shares will be used principally for further exploration, delineation work on existing discoveries and technical surveys during the next few years. The proceeds will in the shorter term be used to finance, on a temporary basis, the development of the Project.

9 RESULTS, FINANCIAL REQUIREMENTS AND DIVIDENDS

(a) *Forecast of results for the year ending 31st December, 1977*

Prior to the commencement of commercial production from the Ninian Field, LSMO is unlikely to have any significant income other than interest derived from the investment of surplus funds. In the year ending 31st December, 1977, the principal revenue of LSMO will be interest on the unutilised portion of the moneys raised by the issues of the OPS, the Loan Stock and the new Ordinary Shares, and its principal expenses are expected to be interest on the Loan Stock and administrative costs. The Directors forecast that LSMO and its subsidiaries will incur a loss before taxation for the year ending 31st December, 1977 which, in the absence of unforeseen circumstances, will amount to not more than £8.1 million. The assumptions on which this forecast is based are set out in Appendix IV.

(b) *Illustrations of results for the years 1978 to 1986*

It is not practicable to make any realistic forecast of results for the period after 1977. However, it is possible to illustrate the net after-tax income of LSMO which may be generated from its interest in the Ninian Field on the basis of the production profiles predicted by DeGolyer and MacNaughton, the estimated capital costs and a number of assumptions.

The following illustrations are based on the more conservative production profile set out in Case 2 of the DeGolyer and MacNaughton report. The table given below, which is supported by the detailed calculations, assumptions and notes set out in Appendix V, illustrates the net after-tax income which may be generated from the interest of LSMO in the Ninian Field in the period 1978 to 1986 (by which time the production profile shows that approximately 82 per cent. of the total oil recoverable by the end of 1999 will have been recovered) on the basis of four different oil prices:

Basis A: US$11.20 (£6.59) per barrel fixed (the estimated current market price less 20 per cent.)

Basis B: US$14.00 (£8.24) per barrel fixed (the estimated current market price)

Basis C: US$16.80 (£9.89) per barrel fixed (the estimated current market price plus 20 per cent.)

Basis D: US$14.00 (£8.24) per barrel, rising by 5 per cent. compound per annum after 1978 to US$20.68 in 1986.

A dollar/sterling exchange rate of US$1.70 to £1 has been assumed throughout.

	Possible net after-tax income/(net deficit)								
Basis	*1978 £m*	*1979 £m*	*1980 £m*	*1981 £m*	*1982 £m*	*1983 £m*	*1984 £m*	*1985 £m*	*1986 £m*
A	(8.6)	3.3	18.3	15.1	16.8	15.2	15.2	12.7	9.6
B	(7.3)	8.2	18.9	20.9	22.8	20.3	19.5	18.3	12.5
C	(6.0)	13.0	19.7	28.8	28.6	25.1	23.9	20.2	15.4
D	(7.3)	9.2	19.8	24.4	27.8	25.8	25.8	23.3	18.8

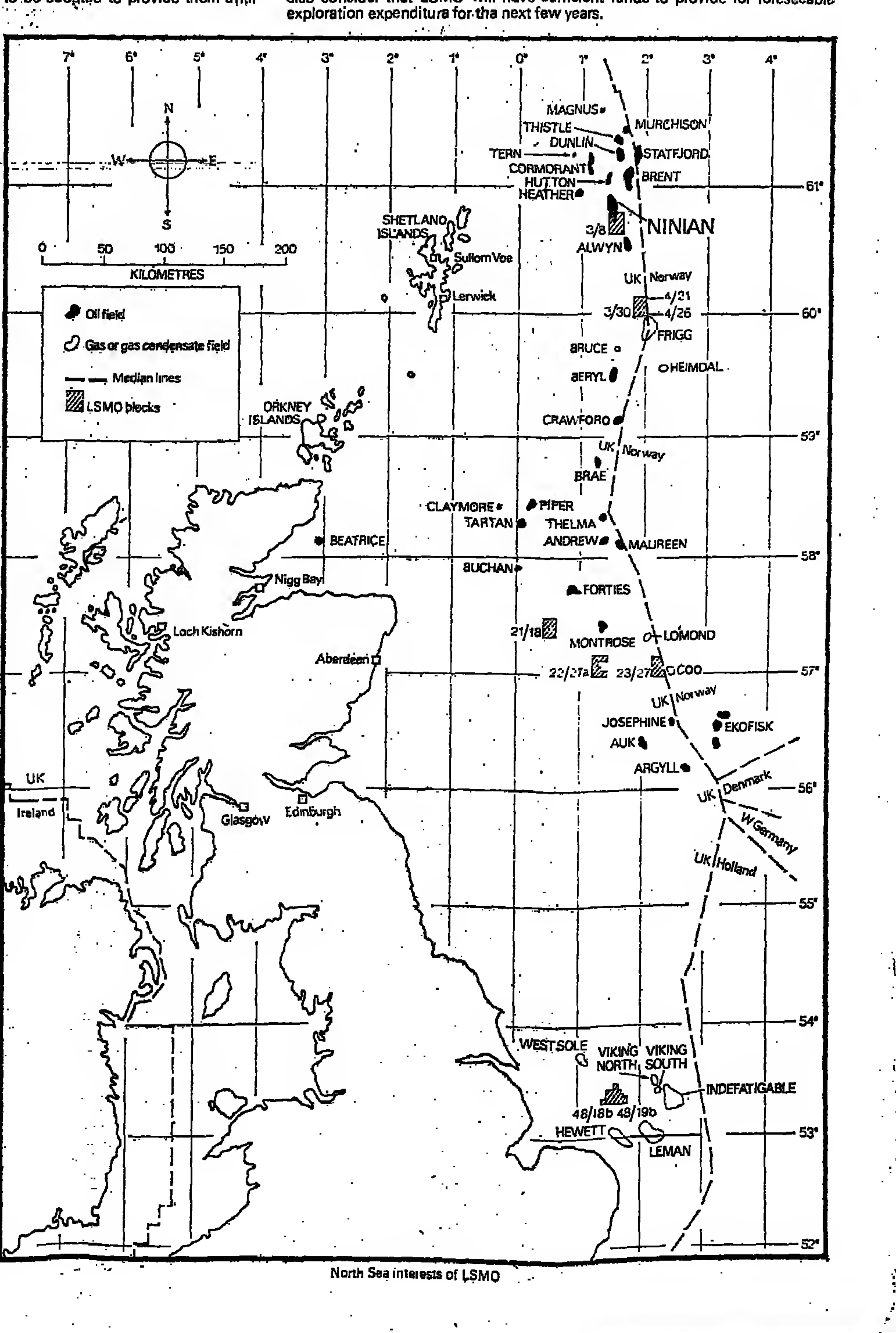
The Directors stress that the net income actually achieved will depend on a number of factors: in particular, the date on which commercial production commences from each of the three platforms, the production levels realised in practice, the actual capital costs and the actual sterling price of oil (which will reflect the dollar price of oil and the sterling/dollar exchange rate). Furthermore, the illustrations show only the net income arising from LSMO's interest in the Ninian Field, so that the pattern of annual income broadly follows the production profile, which rises to a peak in 1981 and 1982 and declines significantly thereafter. In practice, the net income may also be affected by the results of further exploration, by possible development of existing interests other than the Ninian Field and by the results of any diversification into other areas of activity.

The illustrations show that LSMO will make a substantial loss in 1978 and that, during part of 1978, and probably during part of 1979, LSMO will have a deficiency of shareholders' funds, mainly as a result of charging interest payable on the Loan Stock and the bank borrowings to the profit and loss account and of continuing to carry the investment in the Project in the books at cost. On the assumptions used, the illustrations show that the maximum deficit could be substantial. Delays in commercial production from the Ninian Field could have a significant adverse effect on results.

(c) *Financial requirements*

It is estimated, on the basis of the illustrations given above, that the total borrowings of LSMO will reach their peak in the second half of 1978 or in the first half of 1979. By the end of 1980, the level of borrowings is expected to have decreased significantly as a result of repayments of bank borrowings from the proceeds of sale of oil.

Although delay in commercial production from the Ninian Field could have a significant adverse effect on LSMO's financial requirements, the Directors consider that, taking into account the bank facilities referred to above and the proceeds of the present issue of Ordinary Shares, LSMO will have sufficient funds to meet in full its share of the estimated costs of the Project (which include provisions for escalation and contingencies as indicated in paragraph 16 of part 2 of this document) until the end of the first half of 1979, after which it is expected that further expenditure can be met from cash flow from oil sales. The Directors also consider that LSMO will have sufficient funds to provide for foreseeable exploration expenditure for the next few years.



North Sea interests of LSMO

(d) *Dividends*

The Directors consider that it is premature to be specific in the matter of dividend policy, particularly since the first payment of dividend is unlikely to occur before 1980. However, the Directors would consider recommending payment of a dividend out of current profits and before recouping the accumulated losses of prior years, provided that this is not prohibited either by dividend restraint legislation or as a result of any change in the law relating to payment of dividends by companies, for example following implementation of an E.E.C. directive. In deciding the appropriate level of dividend to be paid, the Directors would take account of the cash requirements of LSMO at the time. Under the term loan facility referred to in paragraph 7 of this document, the consent of the banks is required for the payment of dividends before 60 per cent. of the loan has been repaid; this stage is scheduled to be reached in June 1980.

10 OIL SALES

LSMO has signed heads of agreement with Petrofina S.A. and Petrofina (UK) Limited (together referred to as "Petrofina") and Cawoods Holdings Limited (with whom a marketing programme is under discussion) under which LSMO will sell to Petrofina from the start of production to 31st December, 1982 crude oil at prices related to market value at the time of delivery. The agreement provides a firm market for the whole of the estimated production available to LSMO for 1978 and for the greater part of such production from 1979 to 1982. LSMO has the flexibility after 1978 to retain some of its crude oil for other marketing outlets which it may develop. In conjunction with Cawoods Holdings Limited, LSMO has, under the agreement, obtained refining capacity at Lindsey Oil Refinery on Humberside for four years commencing on 1st January, 1979.

11 PROSPECTS

At this stage, the future of LSMO is dependent on the successful development of the Ninian Field, which is shortly expected to produce oil and to provide LSMO with a substantial cash flow.

It is the Directors' firm intention to continue to appraise prospects within LSMO's existing Licences and also to seek other opportunities for profitable investment, both in the United Kingdom and overseas. Such investment will primarily be directed towards oil exploration and production. The sixth round of applications for North Sea Licences is likely to take place in 1978 and LSMO, with Ranger's assistance, is taking the initial steps with a view to making an application in that round. The Directors will also consider opportunities for other oil and energy related investments.

In the short term, the ability of LSMO to spend substantial sums on activities other than the Project may be restricted under the provisions of the term loan facility summarised in Appendix VI of this document.

Part 2: The Ninian Project

The Project comprises the development of the Ninian Field, the pipeline to carry production to Sullom Voe in the Shetland Islands and a share in the terminal facilities now being built there.

12 RESERVES OF THE NINIAN FIELD

A firm of independent petroleum consultants, DeGolyer and MacNaughton, was instructed to report on the reserves in the Ninian Field as at 31st May, 1977 and to develop a production profile. The report is set out in Appendix I.

It can be seen from the report that DeGolyer and MacNaughton, on the basis of information provided by holders of the Licences, estimates as follows:—

	million barrels
Oil in place	
Proved	2,605.7
Probable	411.8
	3,017.5
Oil recoverable	
Proved	972.3
Probable	146.1
	1,118.4
Average recovery factor	37.1 per cent.

The oil from the Ninian Field is a good quality light crude oil with a very low sulphur content.

DeGolyer and MacNaughton, for the purposes of the report, has predicted recovery of oil from the Ninian Field on two bases, in each of which it is assumed that production commences in the first half of 1978 and continues until the end of 1999. In Case 1, it has been assumed that commercial production commences from the three platforms in March 1978, June 1978 and September 1979 respectively, and DeGolyer and MacNaughton has predicted that oil recoverable by the end of 1999 will be 1,048.1 million barrels. In Case 2, it has been assumed that commercial production from the second platform is delayed from June 1978 until September 1978, and DeGolyer and MacNaughton has predicted that oil recoverable by the end of 1999 will be only fractionally reduced, although there will be a significant reduction in 1978. DeGolyer and MacNaughton believes there will be some additional oil available for recovery after 1999.

The tables of predicted oil production from the Ninian Field included in the report by DeGolyer and MacNaughton indicate that production will reach a peak in 1981 and that, by the end of 1986, cumulative production will be equivalent to approximately 82 per cent. of the total production predicted for the period 1978 to 1999.

The volume of oil actually recovered will depend on a number of factors, including the production plan adopted, the starting date for commercial production from each platform, the well locations chosen and the characteristics of the Ninian Field. If future technological advances in methods of recovery can be applied to the Ninian Field, or if conditions at the time, and in particular the oil price, make it economic to prolong the productive period, a greater volume of oil might be recovered.

The profiles predicted by DeGolyer and MacNaughton show a significant increase in production over the levels predicted for a three platform development in its report dated 22nd January, 1976 contained in the prospectus relating to the issues of OPS and Loan Stock. This improvement arises from changes made to the development plan since the date of the previous report and from changed assumptions regarding the timing of the drilling schedule and the number of wells drilled from the northern platform.

DeGolyer and MacNaughton also estimates that natural gas liquids recoverable amount to some 20.2 million barrels, of which approximately 19.0 million barrels and 18.9 million barrels would be recovered by the end of 1999 under Case 1 and Case 2 respectively.

13 PARTICIPANTS

(a) *Present situation*

Exploration and appraisal drilling has confirmed that the Ninian Field lies predominantly in Blocks 3/3 and 3/8 in the United Kingdom sector of the North Sea. On the basis of estimated oil in place, the participants have agreed, subject to revision as further knowledge of the Ninian Field is obtained, that 30 per cent. of the Ninian Field is attributable to Block 3/8 and 70 per cent. to Block 3/3.

The present participants in Blocks 3/8 and 3/3 and their interests in the Ninian Field are:—

	Percentage of Block	*Percentage of the Ninian Field*
Block 3/8:		
BP	50.0	15.0
LSMO *(Note 1)*	30.0	9.0
Ranger/BNOC *(Note 2)*	20.0	6.0
	100.0	30.0
Block 3/3:		
BNOC (Ninian) Limited	30.0	21.0
Imperial Chemical Industries Limited ("ICI")	26.0	18.2
Chevron Petroleum Company Limited ..	24.0	16.8
Murphy Petroleum Limited	10.0	7.0
Ocean Exploration Co. Limited	10.0	7.0
	100.0	70.0

NOTES:

1. The interest of LSMO includes the interest of SCOT, which consists of a 7 per cent. interest in Block 3/8 and a 2.1 per cent. interest in the Ninian Field.
2. Ranger assigned 51 per cent. of its 20 per cent. interest in Licence P.198 to BNOC pursuant to a Participation Agreement dated 27th May, 1976 between Ranger, the Secretary of State for Energy and BNOC under which, *inter alia*, Ranger retains the financial benefits and obligations relating to the assigned interest.

The relationship between the participants is regulated by a Cost Sharing Agreement dated 25th April, 1975 (as subsequently amended), to which all the participants in Blocks 3/8 and 3/3 are parties. At present, the participants in each of Blocks 3/8 and 3/3 only have an entitlement to recover the oil underlying their respective blocks, but a new agreement is currently being negotiated under which each participant will have an entitlement in respect of the oil in the Ninian Field as a whole.

(b) *Redetermination of interests*

As further geological and technical information is obtained about the Ninian Field, the split of interests between Blocks 3/3 and 3/8, and hence the percentage interest of LSMO in the Ninian Field, will be redetermined from time to time. It is expected that the final redetermination will take place five years after the commencement of development drilling (expected to start in the fourth quarter of 1977). Any changes of interest in the Ninian Field are at present to be determined by unanimous agreement of NMC. On a redetermination, costs to date are reallocated and adjusting payments, with interest from the dates of the relevant expenditure, are made. After production commences, it is expected that there will also be adjustments to entitlement to production which will be phased so as to limit their impact upon deliveries of production to individual participants.

The interests in the Ninian Field of the licensees of Block 3/8 following any redetermination are expected to be based to a significant extent upon the volume of oil which they could reasonably expect to recover from their respective interests in that block.

(c) *Provisions in event of default by any participant*

Provision has been made in the Cost Sharing Agreement, and will be made in any future agreements, for the action to be taken if any participant should fail to meet its proportion of expenditure when called upon to do so. At present, provision is made for the defaulter's interest in the Ninian Field to be offered to the non-defaulters, subject to Government consent, if the default is not remedied within 60 days. If the whole of the defaulter's interest is taken up by the non-defaulters, they will become liable for all the defaulter's future obligations and will become entitled to its share of production (subject to its rights after commencement of production described below). Failing this, the Project will be terminated. If the Project is terminated or abandoned prior to production, the arrangements concerning the defaulter's interest will be cancelled, and the defaulter will again become liable for its full share of development costs up to the date of termination or abandonment.

Any participant which defaults is still governed by the relevant agreements but loses its vote on the various committees. When commercial production commences, the defaulting party reacquires an interest in the Ninian Field equal to 75 per cent. of an interest determined by taking the proportion of its actual contributions to the Project to the actual contributions of all participants up to that time.

14 OPERATION AND PROJECT MANAGEMENT

(a) *The Ninian Field and pipeline*

Under the terms of the Cost Sharing Agreement, the Ninian Field is being developed jointly by the participants in Blocks 3/3 and 3/8, and each participant is liable for a proportion of the total agreed expenditure equivalent to its provisionally agreed interest in the Ninian Field. Before production from the Ninian Field commences, the rights, obligations and ownership interests of the participants are expected to be defined more fully either by an amendment to the Cost Sharing Agreement or by new agreements.

By an agreement made on 30th May, 1974, the participants in Blocks 3/3 and 3/8 established NMC with total overall management authority for all aspects of the Ninian Field and its operation. Chevron is the Operator for the Ninian Field. Each of the participants is represented on NMC and has a vote (when added to any vote of BNOC arising from a participation agreement with such participant) in proportion to its interest in the Ninian Field, as that interest may be determined from time to time.

At present, all decisions, with certain exceptions (including any redetermination of the participants' interests) which require unanimous agreement, require the affirmative vote of three or more participants having a combined voting interest of not less than 75 per cent. However, no single participant, or participants which are associated companies, can alone prevent a motion being carried. Decisions of NMC are binding upon all participants, and therefore an individual participant has little voting power on decisions in relation to the Project. Discussions are currently taking place with a view to agreeing amendments to the voting structure, but it is not anticipated that any fundamental change will be effected in the principles underlying the present structure. It is not expected that any further changes to the voting structure will be effected by the amendment to the Cost Sharing Agreement or new agreements referred to above, except that redeterminations of interests in the Ninian Field may be subject to arbitration in the event of the failure of participants to reach a unanimous decision.

The Ninian Pipeline Management Committee ("NPMC") has been established with management authority for the pipeline and the Ninian-related interests in the terminal. BP is the Constructor and Operator for the pipeline and for the feeder lines between the platforms in the Ninian Field, and represents the interests of the Ninian pipeline participants in the terminal facilities at Sullom Voe.

LSMO is at present represented on NMC and other committees by Ranger, and Ranger and LSMO exercise their votes as a single unit, although there are provisions for separate votes to be cast if desired.

(b) *Sullom Voe terminal facilities*

BP is the Constructor for the terminal facilities, which comprise crude oil receiving, treatment, storage and loading facilities at Sullom Voe in the Shetland Islands. Shetland Islands Council ("SIC") is responsible for the provision of the harbour facilities including the oil jetty structures. The facilities are predominantly joint facilities with the Brent pipeline group, and the costs are to be borne by the two groups in proportion to their respective interests in the facilities, which will vary from time to time.

Each Ninian participant has guaranteed to SIC that it will meet its proportionate share, based on its interest in the Ninian Field, of any payments due from any Ninian participant which defaults or from any other group which becomes interested in the pipeline and which defaults as a group. The participants have agreed to pay certain charges and import fees to SIC and to reimburse SIC with costs incurred by it in relation to the provision of facilities.

15 DEVELOPMENT PLAN

Development of the Ninian Field is to be accomplished by installing three fixed platforms, from which oil will be transported by pipeline to terminal facilities at Sullom Voe.

(a) *Production platforms and associated facilities*

The three fixed platforms to be installed in the Ninian Field will cover the southern, central and northern portions of the reservoir.

The southern platform is a steel piled jacket structure, designed by Constructors John Brown — Earl and Wright Limited and fabricated by Highland Fabricators Limited at Nigg Bay, Scotland. Work commenced in July 1975 and the structure was towed out and positioned at the end of May 1977. The superstructure is due to be installed this summer, development drilling is scheduled to commence in the fourth quarter of 1977 and commercial production is scheduled to commence from this platform in the first half of 1978.

The central platform is a gravity-based concrete structure, which has been designed and is being built by Howard-Doris Limited. The platform construction started in July 1975 at Loch Kishorn in Scotland. Dry dock construction has been completed and wet dock erection began in September 1976. The platform is scheduled to be positioned in October 1977 and production is scheduled to commence in mid-1978. There is, however, at present some delay in construction work and it is possible that this platform will not be positioned until April or May 1978. In this event, certain work which would normally be carried out in the North Sea will be carried out during the winter at the construction site, and production is then expected to commence in the third quarter of 1978.

The Lummus Company Limited, in association with Crest Engineering (U.K.) Inc. and Humphreys and Glasgow Limited, is designing and supervising the fabrication of the modular superstructures for the southern and central platforms. The module fabrication is being carried out at various British and Dutch yards. The facilities are designed for simultaneous drilling, production, gas liquid recovery, water injection and crude oil transfer. The southern and central platforms, each of which will be capable of accommodating 42 wells and will be equipped with two drilling rigs, have designed production capacities of 160,000 barrels per day ("bpd") and 276,000 bpd respectively, with water injection capability on each platform. They will be capable of independent operation and each will be able to pump oil directly into the main oil pipeline.

A letter of intent was given to Highland Fabricators Limited in February 1977 to fabricate a smaller steel piled jacket structure to a design by Brown and Root. Initial construction work on this platform commenced in May 1977. The platform, which will be capable of accommodating 26 wells and which will have provision for water injection, is scheduled to be completed and positioned in the northern portion of the Ninian Field during the summer of 1978. Production from this platform is scheduled to commence in the second half of 1979.

The production scheme for the northern end of the reservoir is ba[...] transporting the full well stream from the northern platform to the central pl[...] for processing and pumping to Sullom Voe. The central platform has suf[...] spare capacity to handle the expected aggregate production rates from the [...] and northern reservoir areas.

(b) *Pipeline*

The pipeline system comprises a main pipeline from the central pl[...] to the terminal at Sullom Voe, feeder pipelines connecting the southe[...] northern platforms with the central platform and a direct line from the so[...] platform to the main pipeline. The main pipeline, which has been laid and [...] and buried of which will shortly be completed, has a diameter of 36 inches [...] throughput capacity of 950,000 bpd. The feeder pipeline connecting the so[...] platform and the site of the central platform has been laid, tested and buri[...] the bypass to enable production from the southern platform to be pumped [...] into the main pipeline will be completed in 1977. The feeder pipeline fr[...] site of the northern platform to the central platform is scheduled to be com[...] during the summer of 1978.

The maximum pipeline throughput requirement for the Ninian Fie[...] present expected not to exceed an average of 425,000 bpd. In 1976, Unior[...] of Great Britain, on behalf of the group of companies concerned with t[...] velopment of the Heather Field, became a participant in the main pipeline [...] and in the oil terminal at Sullom Voe; the Heather group acquired a 10 [...] cent. interest in the main pipeline and an interest in the Ninian group's s[...] the terminal, and is contributing to the costs of the pipeline and the t[...] accordingly. The Heather group is now represented on NPMC. There [...] further sales of surplus pipeline and terminal capacity to participants i[...] nearby discoveries, but there are no negotiations currently in progress.

(c) *Terminal facilities*

Facilities are currently under construction at Sullom Voe to accom[...] the initial production from the Ninian and Brent pipeline systems. At the te[...] the oil will be stabilised and treated for removal of water and any element[...] would become gaseous at atmospheric pressure. The resulting stabilised [...] be stored and loaded into tankers. The gases separated from the crude oil [...] processed through fractionation towers to produce three main product s[...] A mixture of methane and ethane gases will be produced for use as a fuel [...] terminal power station: propane and butane gases will each be separated, and stored in refrigerated tanks prior to loading.

When completed, the maximum capacity of the terminal facilities [...] approximately 3 million bpd. The initial development to meet the requirem[...] the Ninian and Brent pipeline systems will be capable of handling 826,0[...] of crude oil and 42,000 bpd of natural gas liquids. There will be storage c[...] for approximately 6 million barrels of oil in surface tanks and for approx[...] 800,000 barrels of natural gas liquids in refrigerated tanks. It is planned t[...] three jetties, each of which will be able to accommodate a tanker of 300,000 tons deadweight, and a smaller jetty.

Although the construction of the terminal facilities is behind sched[...] expected that facilities adequate to store and load the initial production fr[...] Ninian pipeline will be available by April 1978. Permanent storage and [...] facilities are scheduled for completion later in 1978, and the fracti[...] towers for processing gases and natural gas liquids are scheduled for com[...] in 1979. The minor amounts of gas produced prior to completion of the st[...] tion plant will be flared offshore.

(d) *Weather risks*

Weather conditions in the area of the Ninian Field can be severe, [...] sequence of which it is often difficult to continue construction operations [...] the winter months. Certain operations, such as the towing out of platforms [...] lifting of heavy deck structures, require a period of particularly calm se[...] ditions, so that, on the basis of past experience, these operations can be [...] out only during the summer months.

The platforms and other facilities are designed to be capable of [...] standing the severe weather conditions and have been and are being const[...] in accordance with British Standards Institution specifications and margins normally adopted by the oil industry.

(e) *Insurance*

Chevron, on behalf of the participants in the Ninian Field, has insu[...] platforms and related equipment for their replacement value (limited to [...] cent. of the insured value, as declared), subject to an overriding limit o[...] which is at present £199 million for each platform. This limit is con[...] insufficient for the central platform, and it is anticipated that additional c[...] £25 million for total loss only will be obtained prior to tow-out. Insur[...] each platform covers construction, tow-out and installation until comple[...] the first production well on the platform. Under current market con[...] consequential loss of production cannot be covered.

The interest of ICI, Ranger and LSMO in the pipeline system ha[...] insured against certain repair costs incurred during its laying; the cover [...] participants' proportionate share of £15 million each and every loss, sub[...] certain excess provisions. This cover continues until the commissioning [...] pipeline system is complete.

BP, as Constructor for the Brent and Ninian groups, has negot[...] construction all risks policy for the terminal giving cover of £313 million.

Consideration will be given in due course to obtaining further ins[...] cover for the installed platforms, and insurance cover for the drilling of de[...] ment wells, seepage and pollution risks and other normal operating risks.

(f) *Consents*

A number of consents are required in connection with the Proje[...] most significant of these was introduced in the Petroleum and Submarine [...] lines Act 1975 and requires the Development Plan to receive the Secre[...] State's approval. An application for formal consent for the final Develo[...] Plan is being prepared for submission to the Department of Energy. [...] The Directors know of no reason why this formal consent and the other [...] sary consents should not in due course be given.

16 ESTIMATED DEVELOPMENT COSTS

The Directors have been advised by Ranger that analysis of th[...] information provided by Chevron and BP shows an estimate[...] cost for the Project, after deducting amounts paid and payable by the H[...] group, of £1,377.1 million. The tables below show a breakdown of this est[...] cost between the main parts of the Project and also an estimated spread [...] expenditure over the years 1974 to 1982 inclusive.

The base cost represents estimates by Chevron and BP of the tota[...] of the constituent parts of the Project, comprising actual expenditure to th[...] of the estimates, the estimated amounts payable under contracts then plac[...] the estimated cost at then current prices of items for which contracts h[...] been placed, all as adjusted by Ranger for known changes since the date [...] estimates. The escalation provisions are to cover increases in the gener[...] levels of materials and labour due to inflation and projected changes [...] sterling parity. The contingency provisions are to cover work and/or [...] within the Project development plan which were not foreseeable at the t[...] preparing an estimate and to cover the uncertainties inherent in any estimat[...]

These estimates include the cost of 12 development wells for the no[...] platform, which will be capable of accommodating 26 wells.

	Base cost £m	*Escalation £m*	*Contingency £m*	
Three platforms and related production facilities ...	874.4	96.8	65.1	1,
Pipeline	141.0	1.9	1.1	
Terminal facilities at Sullom Voe	138.8	46.8	11.4	
	1,154.2	145.3	77.6	1,

	1974/76 £m	*1977 £m*	*1978 £m*	*1979 £m*	*1980 £m*	*1981 £m*	*1982 £m*	
Total project ..	344.5	368.1	339.9	175.8	87.2	53.0	8.6	1,
LSMO's share (Note)	31.0	33.1	30.6	15.8	7.8	4.8	0.8	

Note:—The spread of the estimated development cost over the years 1974 to 1982 incl[...] based on the cash amounts which have either been paid or are expected to be paid by Chevron [...] in each of the respective periods. The difference between LSMO's 9 per cent. share of the devel[...] cost to 31st December, 1976 (£31.0 million) and the amount shown as development expend[...] the consolidated balance sheet at that date (£34.6 million) is due to the inclusion by LSMO [...] balance sheet of provisions for expenditure incurred up to that date but not yet paid for [...] with the capitalisation of certain of the charges from Ranger referred to in paragraph 5 of part [...] document.

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Appendix I

Petroleum Consultants' Report

The following is the text of a letter dated 31st May, 1977 received by LSMO from DeGolyer and MacNaughton, Petroleum Consultants:—

Gentlemen:

In compliance with your request, DeGolyer and MacNaughton has estimated the proved and probable crude oil and natural gas liquids reserves as of 31st May, 1977, of the Ninian Field in the British North Sea following the drilling and completion of the first eight delineation wells. A previous reserve estimate was submitted, as of 1st October, 1975, to London & Scottish Marine Oil Company Limited (LSMO); at that time, seven wells had been drilled in the Ninian Field. The professional qualifications of DeGolyer and MacNaughton, as well as a summary of the geophysical, geological and engineering data considered in calculating the estimated oil reserves and production profiles, are given in this report.

Professional Qualifications

DeGolyer and MacNaughton is a Texas corporation with offices at One Energy Square, Dallas, Texas 75206, United States of America. The firm employs more than 50 professional engineers, geologists, and economists. These personnel are engaged in the appraisal of oil and gas properties, in the evaluation of hydrocarbons and other mineral prospects, in the appraisal of the exploitation potential of unexplored properties, and in studies relating to the economics of the international oil industry.

In the North Sea, DeGolyer and MacNaughton has estimated the oil and gas reserves and the production potential of many fields. Among these fields are the Ekofisk Complex, Leman Bank, Indefatigable, Rough, Forties, Argyll, Statfjord, Beryl, Hutton, Montrose, Piper, Claymore, Frigg, and Heimdal as well as many other structures and concession blocks.

Geology

The Ninian Field is located approximately 85 miles east of the Shetland Islands in the northern part of the North Sea in water which averages 450 feet (137 meters) in depth. The oil reservoir is a Middle Jurassic sandstone, a widespread formation that is productive in other structures in the northern part of the North Sea. The Ninian Field trends north-south and covers parts of three concession blocks. The principal part of the structure lies in the southwest quadrant of Block 3/3 and in the northwest quadrant of Block 3/8. The current geological interpretation of the field indicates that only a small portion of the field extends into an adjacent concession block.

A seismic structural map dated August 1975 was submitted by the operator of the field, Chevron Petroleum (U.K.) Limited. Several seismic lines were checked to verify the accuracy of this map. The evaluation of the map and of the basic seismic lines indicates that the seismic interpretation is reasonable and that the sand pinchout which limits the oil accumulation on the south and east sides of the structure is mapped as accurately as possible based on present knowledge.

The Ninian structure is a large fault block which trends north-south and is approximately 5 miles wide and 12 miles long. The block plunges to the north and is upthrown on the east by a normal, regional fault which trends north-south. From east to west across the tilted block, the dip is approximately 300 feet per mile. The southwestern boundary of the block is formed by a large, normal fault which trends north-south from the south end of the structure, curves towards the west, and dies out west of the central part of the structure. Minor, compensating, normal faults occur within the structure.

Well 3/3-4 penetrated a thin Middle Jurassic section and is located on a feature interpreted as a horst block. The well is west of the major boundary fault which runs north-south; it is east of what is probably a subsidiary fault which also trends north-south and forms the horst block. Whether the thin interval along this trend is caused by nondeposition, erosion, or a combination of the two is not known at present.

The highest point on the structure, excluding the horst block, is slightly more than 9,300 feet subsea, and the oil-water contact is calculated to occur at 10,397 feet subsea; therefore, there is a total oil column of approximately 1,100 feet. The oil accumulation is limited on the east and south sides of the structure by a pinchout of the sandstone beneath an unconformity; on the southwest, by a fault; and on the north, northwest, and west, by the oil-water contact found in wells 3/3-2, 3/3-3, 3/3-5, and 3/3-6.

Based on lithology and log correlations, the reservoir has been divided into five zones. Because of erosion, the sandstone is absent on the upthrown east side and on the south end of the fault block, and it thickens downdip to the west and north. The Callovian shale which caps the reservoir was deposited on the unconformity.

Estimation of Reserves

The oil and natural gas liquids reserves were calculated for the Ninian Field from data and information submitted by the license-holders of the field and from the DeGolyer and MacNaughton files. Basic data consist of seismic information, well-test results, core analyses, and electrical logs from the first eight wells drilled in the field. During testing of four of the wells, a DeGolyer and MacNaughton engineer was present either on the rig or in the Aberdeen, Scotland office of one of the participants. All data provided by the license holders were accepted as represented and are sufficient for the calculation of reserves presented in this letter.

The reserve estimates were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods utilized in studies of each zone was determined by our experience in the area, consideration of the stage of development of the reservoir, and quality and completeness of basic data.

Reserves in this report are classified as proved or probable reserves. *Proved* reserves are those which have been proved to a high degree of certainty for commercial production by reason of actual ompletion, successful testing, and in some cases by adequate core analyses; they are defined areally y reasonable geological interpretation of structure and known continuity of oil- or gas-saturated eservoir material. *Probable* reserves are defined by less direct well control than proved reserves but a based on evidence of producible oil or gas within the limits of a structure or reservoir above known r inferred water levels. The extent to which probable reserves ultimately may be reclassified as proved dependent upon future drilling, testing, and production performance.

Because Ninian is a new field, and the productive zones have essentially no production history, il in place was estimated by the volumetric method. Structural and isopachous maps were constructed determine reservoir volumes. All pertinent reservoir data, including logs of formation properties, ore analyses, drill-stem tests, production tests, reservoir fluid analyses, and bottom-hole pressure nd temperature data, were used to prepare these maps and to determine the volume of productive reservoir rock, reservoir fluid characteristics, and the volume of oil in place.

The recovery factors for the productive zones were derived from two-dimensional computer odel runs, both areal and cross-sectional. Displacement efficiencies for each zone were derived om the cross-sectional model. The Stiles-adjusted, relative permeability curves were modified to onform with the values from the cross-sectional model. These relative permeabilities were then used an areal model to determine the recovery factor for the total field. With displacement efficiency from e cross-sectional model weighted on oil in place, the sweep efficiency was backed out of total field covery and then modified by displacement efficiency to obtain a recovery factor for each zone. The odel included water injection into four zones.

It is assumed that water injection will be accomplished as necessary and that recompletions ill be made as needed during the life of the field. Reserves are calculated for only four of the hydrorbon-bearing zones because the permeability of one of the zones is estimated to be too low for the ne to produce. It is possible, however, that some cross flow may occur from the nonproducing zone o certain of the producing zones; this would permit some recovery of the oil from the zone that is not ected to produce. The porosities of the four producing zones average between 18 and 23 per cent. rmeabilities of these producing zones vary from 200 to over 1,000 millidarcys, and the flow capacities of the zones where tested in the various wells were excellent.

All the zones in the Ninian Field are pressured above a normal gradient. The reservoir pressure 10,000 feet subsea is 6,525 pounds per square inch absolute, and reservoir temperature at that depth 205 degrees Fahrenheit. The initial solution gas-oil ratio is approximately 380 standard cubic feet gas per barrel of stock-tank oil. The oil is of very low sulphur content and has an API gravity of degrees. Using flash calculations derived from laboratory tests, the initial formation volume factors re corrected from bubble-point pressures to separator pressures.

The planned development scheme for the Ninian Field in October 1975 included two platforms, in the central and the other in the southern portion of the field. Because the reservoir is more row in the northern portion, the use of a third platform was being evaluated, based on the economics ecovering more oil in less time. The decision has now been reached to provide for the third platform. locations of the eight wells drilled to define the reservoir and an outline of the productive area of the d are shown on the map which is appended to this letter.

The data from the latest well, 3/3-6, has increased the reservoir volume slightly since the last ort. The proved and probable oil in place is now estimated to be 2,605,[illegible],000 barrels and ,803,000 barrels, respectively. The ultimate recoverable oil from the Ninian Field is estimated to be ,253,000 barrels of proved oil reserves and 146,065,000 barrels of probable oil reserves. Based on se reserves and laboratory analyses of hydrocarbon samples obtained from drill-stem tests, it is mated that the natural gas liquids recoverable total approximately 20,200,000 additional barrels. average oil recovery factor for oil in the total field is 37.1 per cent of the estimated original oil lace. These reserve estimates must be considered as being ultimate recoverable oil reserves or rves that may be recovered without regard to time. The variations in recovery between the ultimate verable oil reserves and the following production predictions occur because the predictions are le only to the end of the year 1999. The additional volumes required to obtain the total reserves ild be produced after 1999.

duction Forecasts

Two development schemes were simulated with a two-dimensional, three-phase reservoir ematical computer model. Well-drilling sequence and timing, platform installation dates, produc-facility capacities, tubing sizes, and the number of production and water-injection wells were lied by LSMO. There were several changes in these limiting factors since the last report, causing ificantly higher maximum production rates. The tubing size now used for the most prolific zone been increased to 7 inches, and for the other zones to 5½ inches; this change increased maximum ridual well rates. The capacity of the oil-processing facilities was increased, and five more wells added to the northern platform. The drilling schedule was also accelerated. These changes resulted aster production-rate buildup and much higher maximum daily rates of oil production.

The computer model was used to generate production profiles for the two schemes. These uction predictions follow as tables 1 and 2, and the two schemes are labeled as Case 1 and Case 2.

e 1

The southern platform, with slots for 42 wells, is set in November 1977 and production starts in h 1978. The central platform, with slots for 42 wells, is set in March 1978 and production starts ne 1978. The northern platform, with 25 well slots, is set in July 1979, and production commences eptember 1979. Downdip peripheral water injection is employed to maintain reservoir pressure. ed and probable oil reserves are projected to total. Average maximum production rate was 422,000 ls of oil per day in 1981, followed immediately by a decline. Recovery was 34.7 per cent of the nal oil in place at the end of 1999. Cumulative production at that time was 1,048,126,000 barrels l and 18,965,000 barrels of natural gas liquids. Total oil and natural gas liquids production at nd of the year 1999 was predicted to be 1,067,091,000 barrels.

e 2

The conditions for Case 1 apply to Case 2, except that the central platform installation is delayed August 1978 and production starts in September 1978. Proved and probable oil reserves were projected in total. Average maximum production rate was 416,000 barrels of oil per day in 1981, wed by a decline. Recovery was 34.5 per cent of the original oil in place at the end of 1999. Cumu- production at that time was 1,042,121,000 barrels of oil and 18,857,000 barrels of natural gas ls. Total oil and natural gas liquids production at the end of the year 1999 was predicted to be ,978,000 barrels.

TABLE 1

PREDICTION CASE 1*

(Southern, central, and northern platforms with initial production beginning March 1978, June 1978, and September 1979, respectively)

PROVED PLUS PROBABLE OIL of the NINIAN FIELD

Year	Oil Production (thousand barrels per day)†	Cumulative Oil Production (million barrels)†
1978 (10 months)	84	25.3
1979	186	93.2
1980	334	215.2
1981	422	369.4
1982	400	515.6
1983	316	630.9
1984	277	732.1
1985	210	808.8
1986	140	859.6
1987	92	893.2
1988	70	918.9
1989	58	940.2
1990	53	959.5
1991	50	977.6
1992	43	993.3
1993	33	1,005.3
1994	26	1,014.7
1995	23	1,023.2
1996	20	1,030.8
1997	18	1,037.3
1998	16	1,043.3
1999	13	1,048.1

*Field development schedule provided by LSMO.
†Natural gas liquids not included.

TABLE 2

PREDICTION CASE 2*

(Southern, central, and northern platforms with initial production beginning March 1978, September 1978, and September 1979, respectively)

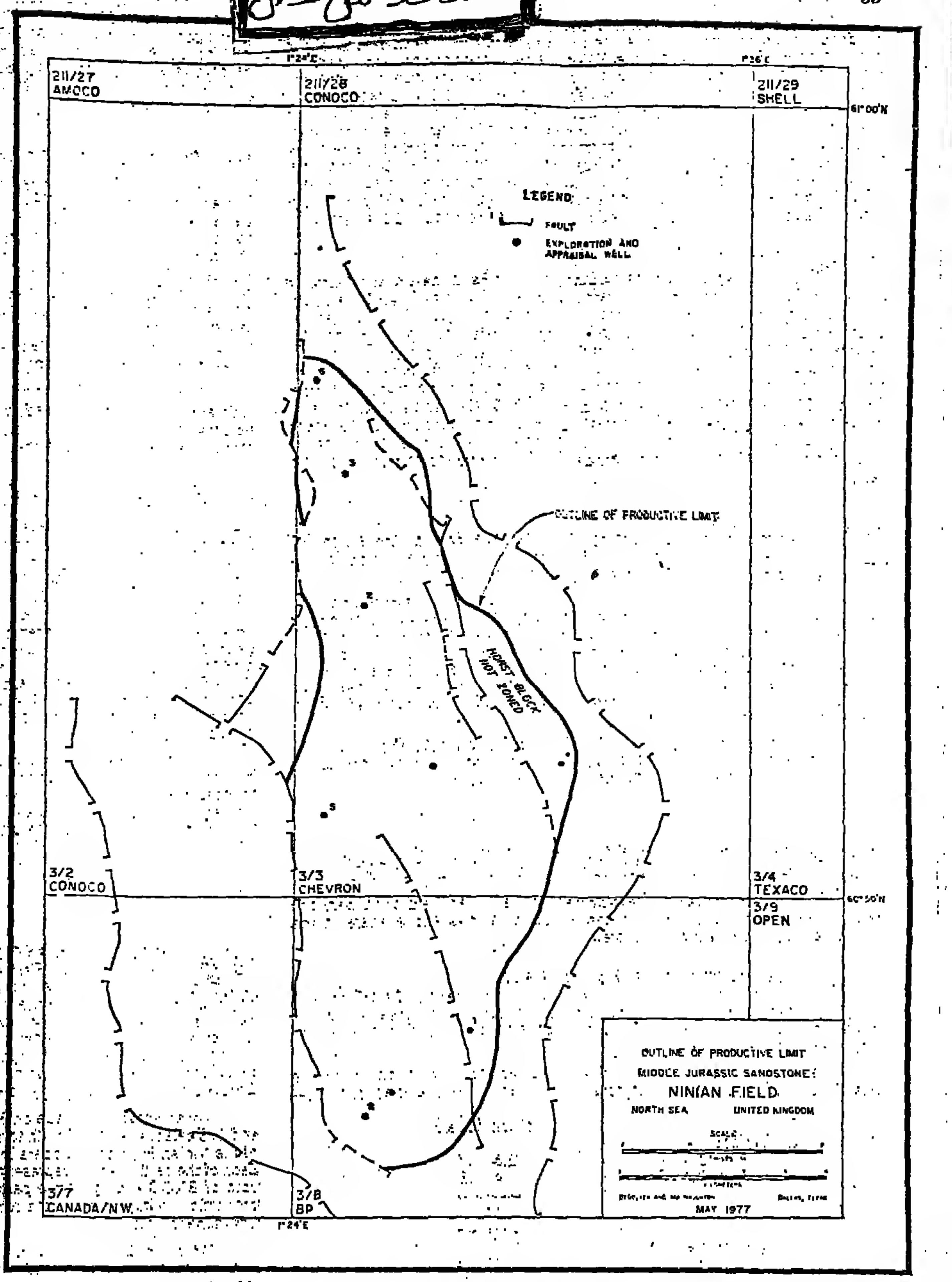
PROVED PLUS PROBABLE OIL of the NINIAN FIELD

Year	Oil Production (thousand barrels per day)†	Cumulative Oil Production (million barrels)†
1978 (10 months)	61	19.5
1979	178	83.5
1980	310	199.7
1981	418	348.8
1982	404	496.1
1983	339	620.0
1984	284	723.7
1985	224	805.3
1986	153	861.2
1987	97	896.7
1988	70	922.3
1989	64	945.7
1990	55	965.7
1991	44	981.8
1992	32	993.5
1993	25	1,002.8
1994	22	1,010.8
1995	22	1,018.9
1996	21	1,026.4
1997	17	1,032.6
1998	14	1,037.8
1999	12	1,042.1

*Field development schedule provided by LSMO.
†Natural gas liquids not included.

NOTE: LSMO's share of production from the Ninian Field would, on the basis of its provisionally agreed interest, amount to 9 per cent of the figures shown in the above tables.

Submitted,
DeGOLYER and MacNAUGHTON



Appendix II

United Kingdom Licence Interests

1. Details of Licence Interests

Licence No. / date of commencement	Block (area sq. km)	Present participants		Wells drilled (date of completion)	Comments
P.114[1] 9th June, 1970	22/27a 23/27 (268.2)	LSMO (through SCOT)	45.00%	23/27-1 (1974)	Well plugged and abandoned.
		Ranger (the Operator)	40.0%	23/27-2 (1975)	Well plugged and abandoned after minor shows of hydrocarbons.
		IU Oil & Gas Limited	15.0%	23/11-1 (1975)	Well plugged and abandoned. Block surrendered.
				23/27-3 (1976) (Note 2)	Oil well — tested at a sustained rate in excess of 3,000 bpd. Total depth was 4,135 metres.
[illegible] 1st January, 1972	48/18b 48/19b (304.3)	Ranger (the Operator)	23.00%	48/18b-1 (1972)	Gas discovery; gas indicated at a rate of 8 million cubic feet per day. Well suspended.
		LSMO	22.50%	48/18b-2 (1973)	Well plugged and abandoned.
		Berry Wiggins (Sea Search) Limited	13.17%		
		Kewanee Oil Company (U.K.) Limited	11.67%		
		Sun Oil (U.K.) Limited	8.33%		
		Tanks Oil and Gas Limited	7.08%		
		Canadian Pacific Oil and Gas of Canada Limited	4.80%		
		Tanks North Sea Limited	2.50%		
		Cieco (U.K.) Limited	1.25%		
P.199 16th March, 1972	3/8 (202.5)	BP (the Operator)	50.00%	Ninian: 3/8-1 (1974)	Oil well — substantial thickness of good quality oil bearing sands encountered.
		LSMO (Note 3)	30.00%	3/8-2 (1974)	Oil well — tested at 3,100 bpd through 36/64" choke. Total depth was 3,320 metres.
		Ranger/BNOC (Note 4)	20.00%	Non-Ninian: 3/8-3 (1975)	Oil bearing sands encountered.
				3/8-4 (1975)	Tested small quantities of hydrocarbons in what is a possible western extension of the 'Alwyn Field.
P.229 16th March, 1972	3/30 4/21 4/26 21/18 (480.9)	LSMO (Note 3)	51.00%	21/18-1 (1975)	Well plugged and abandoned.
		Ranger (the Operator)	40.00%	3/30-1 (1976)	Well plugged and abandoned after minor hydrocarbon shows.
		Canadian Pacific Oil and Gas of Canada Limited	8.00%		

NOTES:
1. Under the terms of the licences, described in paragraph 2 below, the licensees of Licence P.114 relinquished in 1976 their interests in Blocks 22/18 and 23/11, and part of their interest in Block 22/27, the part retained being redesignated 22/27a. In 1978, further relinquishments must be made in respect of Licences P.126, P.199 and P.229.
2. The interests of the participants in well 23/27-3 are at present Ranger — 47.50 per cent. and LSMO (through SCOT) — 52.50 per cent., since IU Oil & Gas Limited elected not to participate in the drilling of this well.
3. LSMO's interest in Licence P.199 includes an interest of 7 per cent. held by SCOT, and its interest in Licence P.229 includes an interest of 1 per cent. held by SCOT.
4. Ranger assigned 51 per cent. of its 20 per cent. interest in Licence P.199 to BNOC pursuant to a Participation Agreement dated 27th May, 1976 between Ranger, the Secretary of State for Energy and BNOC under which, *inter alia*, Ranger retains the financial benefits and obligations relating to the assigned interest.

2. Licence Terms

Licences to search and bore for and get petroleum, which includes both oil and natural gas, within the United Kingdom, its territorial waters and continental shelf are issued by the Secretary of State for Energy; the basic terms currently applicable to the Licences are set out in Part II of Schedule 2 of the Petroleum and Submarine Pipe-lines Act 1975 ("the Act"), subject as provided in Section 18 of the Act.

Licences are issued for an initial period of 6 years for an initial payment. At the end of the 6-year period, if the licensee does not wish the Licence to expire, he must surrender his rights in at least half of the area covered by the Licence (as chosen by the licensee), and he then may, provided that the terms and conditions of the Licence have been complied with, retain up to half of the licensed area for a further 40 years ("the extension period"). The licensee may surrender the Licence in whole or in part at any time during the initial period or the extension period on giving the appropriate period of notice.

The licensee must pay in each half-year in which the Licence is in force a royalty to the Government of 12½ per cent. of the well-head value of petroleum extracted. The Government may opt, on giving six months' written notice, to receive this payment wholly or partly in kind in lieu of cash.

During the extension period, an annual rental is also payable, but any rental so paid may be deductible from royalty payments under the terms of the Licence. The rental is £50 per square kilometre of the retained area in the first year, rising by £30 per square kilometre per annum for the next ten years and remaining at £350 per square kilometre per annum for the rest of the extension period.

Each Licence contains a schedule establishing the work obligation. The Government may require further exploration activity during the extension period if such work could reasonably be expected to be carried out in the circumstances specified in the Act.

The development of a discovery is subject to the consent of the Government, and development and production programmes, including maximum and minimum rates of production for various periods, have to be prepared and submitted to and approved by the Government.

The licensee may only abandon a field with the consent of, and subject to any conditions imposed by, the Government, which could include the removal of fixed structures (including pipelines).

Petroleum recovered must be delivered on shore in the United Kingdom, except with the prior consent of, and subject to any conditions imposed by, the Government.

The consent of the Government is required to any assignment of any right granted by the Licence, and to any agreement under which a person becomes entitled to, or to any proceeds of sale of, petroleum which when the agreement is made has not been but may be extracted. No such consent is necessary for sales of petroleum under which the price is payable, or the petroleum is to be exchanged, after extraction. Government consent is also required for, among other things, abandoning a well, suspending drilling of a development well, employing an operator not approved by the Government for the purpose, and permitting any right under the Licence to become exercisable by or for the benefit of another person (other than the making of surveys by holders of a Government Licence).

The Government has discretion to revoke a Licence in certain circumstances, including where there is a change in control of a licensee, where the licensee fails to observe any of the terms and conditions of the Licence, or fails to make a payment due to the Government within two months of the due date, or has a receiver appointed, or goes into liquidation, or ceases to have its central management and control in the United Kingdom. Where an approved development programme exists in relation to part of the licensed area, the Government may not revoke the Licence in relation to that part on the grounds of non-observance of another development programme in respect of a different part of the licensed area. When the Government has power to revoke a Licence in respect of the whole or part of the licensed area, it may in certain circumstances, at its discretion, exercise such power in relation to part only of such area.

Disputes between the Government and the licensee are to be referred to arbitration unless the Licence expressly reserves determination of the matter in dispute to the Government.

3. Depletion Control

The Government has the power under the Act to control the rates of production from fields in the United Kingdom. At the time of agreeing a development plan for a field, the Government will establish limits within which it can impose depletion control. At the present time the full development plan for the Ninian Field has not been agreed with the Government. The latest full statement on Depletion Policy was made by the Secretary of State for Energy on 6th December, 1974, and included an indication that no depletion control would be implemented until 1982 or four years after production commences, whichever is the later; that no delay would be imposed on the development of discoveries made prior to 1976, which includes the Ninian Field; and that, for fields found after 1975, no cuts would be made until 150 per cent. of capital investment had been recovered and that generally cuts would be limited to 20 per cent. at most.

4. Energy Act 1976

The Government has extensive powers under the Energy Act 1976 in relation to the control and conservation of fuel and energy resources. The Government may (*inter alia*) regulate or prohibit in limited circumstances the production, supply, acquisition or use of crude liquid petroleum, natural gas and petroleum products and control the price at which these substances may be supplied and the levels at which stocks must be maintained.

Appendix III

Accountants' Report

The following is a copy of a report by Whinney Murray & Co. and Arthur Young McClelland Moores & Co., the joint reporting accountants, to the Directors of LSMO and Morgan Grenfell:—

57 Chiswell Street,
London EC1Y 4SY

Rolls House,
7 Rolls Buildings,
Fetter Lane,
London EC4A 1NL

The Directors,
London & Scottish Marine Oil Company Limited
Morgan Grenfell & Co. Limited

29th June, 1977

Gentlemen,

1 INTRODUCTION

We have examined the audited accounts of London & Scottish Marine Oil Company Limited ("LSMO") and of Scottish Canadian Oil & Transportation Company Limited ("SCOT") for the periods relevant to this report.

In 1975 LSMO acquired the whole of the issued share capital of William Ravy & Company Limited and of Natural Resources Limited (now Neptune Oil Limited), whose undertakings have since been transferred to LSMO. The whole of the post-acquisition revenue transactions of these subsidiaries have been dealt with in the accounts of LSMO.

In January 1977 LSMO merged with SCOT and now owns the whole of its issued share capital. Accordingly, the profit and loss accounts and balance sheets included in this report are presented as though SCOT had been a wholly owned subsidiary of LSMO throughout the period under review. LSMO and its subsidiaries, including SCOT, are hereinafter collectively referred to as "the Group".

Whinney Murray & Co. have been the auditors of LSMO since its incorporation and of its subsidiary companies, other than SCOT, since their acquisition by LSMO. Arthur Young McClelland Moores & Co. were auditors of SCOT from its incorporation until the Annual General Meeting held on 13th June, 1977, when they retired and Whinney Murray & Co. were appointed.

The accounts included in this report are based upon the audited accounts of the companies comprising the Group, after making such adjustments as we consider appropriate.

In our opinion, subject to the licence areas (other than the Ninian Field) in relation to which exploration and drilling expenditure of £6,144,000 is carried forward (note (6) of paragraph 5) proving to be commercially viable and the finance required to complete the Group's estimated share of the Ninian Field development expenditure becoming available (which is conditional only upon a listing being granted for the Ordinary Shares of LSMO on or before 8th July, 1977), the consolidated profit and loss accounts and the balance sheets, together with the notes thereon, give, under the historical cost convention, a true and fair view of the results of the Group for the five financial periods ended 31st December, 1976 and of the state of affairs at that date.

2 ACCOUNTING POLICIES

(a) The accounts have been prepared under the historical cost convention.

(b) *Merger of SCOT with LSMO*

Merger accounting principles have been applied in relation to the transaction under which SCOT has become a wholly owned subsidiary of LSMO.

(c) *Ninian expenditure*

Exploration expenditure is stated at cost. Development expenditure, including pipeline and terminal costs, is stated at cost, being the Group's share of total expenditure to 31st December, 1976. Exploration and development expenditure is being charged by the operators in the shares and on the conditions set out in the relevant operating agreements. Charges relating to the raising of finance for the Group's share of development of the Ninian Field are capitalised.

The whole of the Ninian expenditure will be amortised after the Ninian Field has become productive, on the basis of the proportion of actual production in the relevant accounting period to the total reserves of the Ninian Field planned to be recovered.

(d) *Other exploration and drilling expenditure*

Other exploration and drilling expenditure consists of costs incurred in the exploration of licence areas other than Ninian and has been charged by the operators in the shares and on the conditions set out in the relevant operating agreements. Costs incurred in respect of a particular area are carried forward until it is determined whether or not such area is commercially viable. Costs in respect of commercially viable areas are capitalised and amortised; those in respect of areas determined not to be commercially viable are written off.

(e) *Rates of exchange*

Amounts in foreign currencies have been expressed in sterling at the rates ruling on the date of each relevant transaction.

(f) *Government grants*

Government grants are taken into account only when they are received.

3 PROFIT AND LOSS ACCOUNTS

The consolidated results of the Group for the periods under review are as follows:—

	Notes	9 months ended 31st December, 1972 £'000	Years ended 31st December, 1973 £'000	1974 £'000	1975 £'000	1976 £'000
Interest receivable	(1)	2	42	31	223	3,338
Less: Interest payable	(2)	—	—	1	805	7,411
Exploration and drilling expenditure written off	(6)	—	—	—	1,822	350
Expenses	(3)	3	6	24	428	437
		3	6	25	3,055	8,198
Profit/(loss) before taxation		(1)	36	6	(2,832)	(4,860)
Less: Taxation	(4)	1	20	5	—	—
Profit/(loss) after taxation		(2)	16	1	(2,832)	(4,860)
Accumulated profit/(loss) brought forward		(5)	(7)	9	10	(2,822)
Accumulated profit/(loss) carried forward		(7)	9	10	(2,822)	(7,682)

4 BALANCE SHEETS

The balance sheets of LSMO and of the Group at 31st December, 1976 are as follows:—

LSMO £'000	LSMO £'000		Notes	The Group £'000	The Group £'000
		NINIAN EXPENDITURE	(5)		
1,937		Exploration		2,526	
25,621		Development		34,500	
1,829		Financing charges		2,482	
	30,287				39,508
		OTHER EXPLORATION AND DRILLING EXPENDITURE	(6)		
3,134				8,316	
1,510		Less: written off		2,172	
	1,624				6,144
		INTEREST IN SUBSIDIARIES	(7)		
3,753		Shares at cost, less amounts written off		—	
17,675		Amount due by subsidiary		—	
(667)		Amount due to subsidiaries		—	
	20,761				
	170	UNQUOTED INVESTMENT	(8)		206
	3	OFFICE EQUIPMENT			6
		CURRENT ASSETS			
961		Debtors		1,319	
31,896		Cash, treasury bills and short-term deposits		40,306	
32,857				41,625	
		Less: CURRENT LIABILITIES			
6,010		Creditors		6,705	
	27,847	NET CURRENT ASSETS			34,920
	80,692				80,883
		Financed by:—			
	10,501	SHARE CAPITAL	(9)		10,501
	—	CAPITAL RESERVE	(7)		2,314
	10,501				12,815
	(5,559)	PROFIT AND LOSS ACCOUNT DEFICIT	(7)		(7,682)
	4,942				5,133
	75,750	LOAN CAPITAL	(10)		75,750
	80,692				80,883

5 NOTES TO THE ACCOUNTS

(1) *Interest receivable*

The Group has no significant income other than that derived from the investment of surplus funds.

(2) *Interest payable*

Interest payable for the two years ended 31st December, 1976 comprises:—

	1975 £'000	1976 £'000
Bank interest	14	—
Floating Rate Unsecured Loan Stock 1978	791	258
14 per cent. Unsecured Loan Stock 1981/83	—	7,153
	805	7,411

(3) *Expenses*

Expenses for the two years ended 31st December, 1976 comprise:—

	1975 £'000	1976 £'000
Expenses in connection with the merger of SCOT with LSMO	—	135
Expenses in connection with the acquisition of other subsidiaries	55	—
Preliminary expenses and goodwill written off	187	—
Capital duty on increase in share capital	38	36
Expenses of working and management	138	216
	428	437

Expenses of working and management include:—

(a) the remuneration of a director for executive services amounting to £10,000 in each of the two years ended 31st December, 1976; and

(b) directors' fees amounting to £22,000 in the year ended 31st December, 1976, one director having waived fees of £2,000; no directors' fees were paid for the previous year.

Under arrangements now in force, the directors' emoluments for the year ending 31st December, 1977 will amount to £41,000, which includes the remuneration of a director for executive services amounting to £15,000, directors' fees amounting to £18,000 (one director having agreed to waive fees of £2,000) and the proposed payment of a total of £8,000 to certain directors in connection with their retirement from office.

(4) *Taxation*

Taxation in respect of the periods to 31st December, 1974 is based on the results for those periods.

Since 31st December, 1974, no provision for taxation has been made in view of the taxation losses arising by reason of exploration and development expenditure, net interest and other expenses incurred. The cumulative loss for corporation tax purposes at 31st December, 1976 amounted to £48.0 million (including capitalised expenditure amounting to £43.2 million), which is available to be carried forward and set off against the taxable profits of subsequent accounting periods.

(5) *Ninian expenditure*

Although no formal valuation of this expenditure has been carried out on behalf of the Group, the directors consider that the value of this expenditure, which depends *inter alia* on the commercial prospects of the Ninian Field, will exceed cost. Exploration expenditure includes the costs of seismic surveys and associated work, and the drilling of exploratory wells. Development expenditure consists of the Group's proportion of the cost of production facilities and related administration charges incurred to 31st December, 1976. Financing charges comprise the costs of issuing the Oil Production Stock Units of 10p each ("OPS") and the 14 per cent. Unsecured Loan Stock 1981/83 ("Loan Stock"), which were issued to finance the major part of the Group's share of Ninian development expenditure.

(6) *Other exploration and drilling expenditure*

No formal valuation of this expenditure has been carried out on behalf of the Group. All expenditure in areas determined not to be commercially viable has been written off.

(7) *Interest in subsidiaries*

As stated under accounting policy (b) above, merger accounting principles have been applied to the transaction under which SCOT has become a subsidiary of LSMO and as a result:—

(a) LSMO's interest in SCOT has been included in the balance sheet of LSMO at the par value of the shares which were issued in exchange for the whole of the issued share capital of SCOT;

(b) the amount due by subsidiary represents the indebtedness which arose when the Loan Stock and OPS of SCOT were cancelled in consideration of the issue by LSMO of an equivalent amount of its Loan Stock and OPS;

(c) the capital reserve, which arises on consolidation, represents the excess of the par value of the issued share capital of SCOT over the par value of the share capital of LSMO issued in exchange; and

(d) the deficit on profit and loss account of the Group comprises the deficits at 31st December, 1976 of both LSMO and SCOT.

(8) *Unquoted investment*

This investment represents the Group's 15 per cent. interest (of which LSMO holds 12.5 per cent. and SCOT holds 2.5 per cent.) in the issued share capital of European Marine Oil N.V., a company incorporated in the Netherlands Antilles. The investment is stated at cost, including the dollar premium paid, and, in the opinion of the directors, its market value is not less than cost, any excess not being material in relation to the assets of the Group. No income has been received from this investment.

(9) *Share capital*

Following the merger of SCOT with LSMO, the authorised and issued share capital of LSMO (divided into shares of £1 each) was as follows:—

	Authorised £	Issued and fully paid £
As at 31st December, 1976	7,500,000	7,415,340
Increased in January 1977	5,000,000	—
Issued, credited as fully paid, for the acquisition of the whole of the issued share capital of SCOT in 1977	—	3,085,719
	£12,500,000	£10,501,059

(10) *Loan capital*

Following the merger of SCOT with LSMO, the loan capital of LSMO comprises:—

	Loan Stock £'000	OPS £'000	Total £'000
As at 31st December, 1976	57,500	575	58,075
Issued, credited as fully paid, in consideration of the cancellation of the Loan Stock and OPS of SCOT in 1977	17,500	175	17,675
	75,000	750	75,750

LSMO is entitled to repay the whole or any part of the Loan Stock on or at any time after 1st January, 1981. Unless previously repaid, the Loan Stock will be repaid on 31st December, 1983 at par with accrued interest. The OPS is repayable at par on the earliest of:—

(a) the date when production on which LSMO has made payments reaches 120 million barrels;

(b) the date when commercial production from the Ninian Field is finally abandoned; and

(c) 31st December, 2010.

Under certain circumstances, the OPS is repayable at a premium.

(11) *Commitments*

Under the present cost sharing agreement, the interest of the Group in the Ninian Field at 31st December, 1976 amounted in total to 9 per cent., of which 6.9 per cent. related to LSMO and 2.1 per cent. to SCOT. On the basis of these percentages, the commitments of the Group at 31st December, 1976, as authorised by the directors, were as follows:—

	LSMO £m	SCOT £m	Total £m
Ninian Field	36.0	11.0	47.0
Pipeline	2.9	0.8	3.7
Terminal	11.1	3.4	14.5
	50.0	15.2	65.2

Based on the information supplied by the operators, the Group's share of expenditure contracted for at 31st December, 1976 was as follows:—

	LSMO £m	SCOT £m	Total £m
Ninian Field	21.9	6.7	28.6
Pipeline	0.6	0.2	0.8
Terminal	1.1	0.3	1.4
	23.6	7.2	30.8

Participants in default of financing their share of project expenditure, if the default is made good by other participants or third parties, forfeit their entitlement to representation on the Ninian Management Committee. When commercial production commences, the defaulting party reacquires an interest in the Ninian Field equal to 75 per cent. of the proportion its actual contributions to the project bears to the actual contributions of all participants up to that time. If the project is abandoned prior to production, these arrangements are cancelled and the defaulter again becomes liable for its full share of development costs up to the date of abandonment.

6 DIVIDENDS

No dividends have been paid by either LSMO or SCOT since incorporation.

7 ACCOUNTS

Accounts have not been prepared in respect of either LSMO or SCOT for submission to members since those for the year ended 31st December, 1976.

Yours faithfully,

WHINNEY MURRAY & CO.
Chartered Accountants

ARTHUR YOUNG McCLELLAND MOORES & CO.
Chartered Accountants

Appendix IV Forecast of 1977 Results

(a) The forecast by the Directors of LSMO, set out in paragraph 9 of part 1 of this document, that LSMO and its subsidiaries ("the LSMO Group") will incur a loss before taxation for the year ending 31st December 1977 which, in the absence of unforeseen circumstances, will amount to not more than £8.1 million, is based on the following assumptions:—

(i) there will be no material change in the current level of interest rates;

(ii) the amounts paid by the LSMO Group during the remainder of the year in respect of the Project and the timing of payments will not be materially different from those now expected;

(iii) the amounts paid by the LSMO Group during the remainder of the year in respect of interests other than that in the Ninian Field will be £1.6 million;

(iv) the LSMO Group will not write off any exploration and drilling expenditure during the year;

(v) the LSMO Group will continue to have the whole of its present interest in the Project; and

(vi) there will be no material change in the present system of taxation.

(b) The following is a copy of a letter from Whinney Murray & Co. relating to the forecast of results:—

57 Chiswell Street,
London EC1Y 4SY.

The Directors,
London & Scottish Marine Oil Company Limited
Morgan Grenfell & Co. Limited

29th June, 1977

Gentlemen,

We have reviewed the accounting bases and calculations for the forecast of the results of London & Scottish Marine Oil Company Limited and its subsidiaries ("the LSMO Group") for the year ending 31st December, 1977, for which the directors are solely responsible. This forecast is set out in the document dated 29th June, 1977 ("the document") issued in connection with the Offer for Sale of Ordinary Shares in London & Scottish Marine Oil Company Limited.

In our opinion, the forecast of the results, so far as the accounting bases and calculations are concerned, has been properly compiled on the footing of the assumptions made by the directors set out in Appendix IV of the document and is presented on a basis consistent with the accounting policies normally adopted by the LSMO Group.

Yours faithfully,

WHINNEY MURRAY & CO.
Chartered Accountants.

(c) The following is a copy of a letter from Morgan Grenfell relating to the forecast of results:—

23 Great Winchester Street,
London EC2P 2AX.

The Directors,
London & Scottish Marine Oil Company Limited

29th June, 1977

Gentlemen,

We refer to the forecast of the results of London & Scottish Marine Oil Company Limited and its subsidiaries for the year ending 31st December, 1977 contained in the document dated 29th June, 1977 issued in connection with the Offer for Sale of Ordinary Shares in London & Scottish Marine Oil Company Limited.

We have discussed with officers of your company the bases and assumptions upon which the forecast is based. On the basis of the assumptions made by the Directors and the accounting bases and calculations reviewed by Whinney Murray & Co., we are satisfied that the forecast, for which you are solely responsible, has been made by you with due care and consideration.

Yours faithfully,

For MORGAN GRENFELL & CO. LIMITED
R. M. L. WEBB
Director.

Appendix V Illustrations of Results and Cash Flows

The tables below illustrate the possible net income and cash flow which may be generated from the LSMO Group's interest in the Ninian Field in the period 1978 to 1988 based on an estimated balance sheet of the LSMO Group at 31st December, 1977. **The tables are given for illustrative purposes only and should on no account be taken as forecasts.** They reflect Case 2 of the production profile predicted by DeGolyer and MacNaughton and include no profits or losses arising from any interest of the LSMO Group other than that in the Ninian Field: it should be noted that net income will decline sharply after 1988. The figures set out in the tables should be read in conjunction with the principal assumptions and the notes set out below.

The oil prices (which have been taken for illustrative purposes only) on which the tables are based are as follows:—

Basis A — US$11.20 per barrel fixed (the estimated current market price less 20 per cent.)

Basis B — US$14.00 per barrel fixed (the estimated current market price)

Basis C — US$16.80 per barrel fixed (the estimated current market price plus 20 per cent.)

Basis D — US$14.00 per barrel, rising by 5 per cent. compound per annum after 1978 to US$20.68 in 1986.

These prices have been translated into sterling at a rate of US$1.70 to £1.

The principal assumptions used in these illustrations are that:—

(a) the LSMO Group continues to have all its present interest in the Project;

(b) the sales of oil in each year will be on the basis of the production profile predicted by DeGolyer and MacNaughton (Case 2), which is set out in Appendix I of this document;

(c) there will be no profits or losses arising from interests other than that in the Ninian Field, and in particular no exploration expenditure will be written off and no expenditure will be incurred on those interests;

(d) the capital expenditure required for the Project will be as shown in paragraph 16 of part 2 of this document;

(e) the present rates, and system, of taxation (including Government royalty) will remain unchanged throughout the period, and there will be no change in *Government policy* (including that regarding State participation) materially affecting production, capital expenditure or the LSMO Group's interest in the Project;

(f) no dividends will be paid during the period;

(g) there will be no time lag between production and receipt of sales proceeds and between the incurring and payment of expenses (except for taxation, which is assumed to be payable in accordance with current legislation);

(h) interest will be received on cash surpluses at 8 per cent. per annum, and interest will be paid on the bank facilities at 12 per cent. per annum;

(i) all costs will be at current prices, except that the capital expenditure required for the Project contains escalation provisions as explained in paragraph 16 of part 2 of this document;

(j) no provisions will be required during the period in respect of any costs of dismantling the production platforms and pipeline after production ceases; and

(k) the syndicated bank facility of £30 million will be drawn down in full during 1978 and repaid according to schedule. The Loan Stock will be repaid on 31st December, 1983, its final repayment date.

Basis A: oil price US$11.20 per barrel fixed (£6.59 at US$1.70 to £1)

(a) Net income/shareholders' funds	Notes	1978 £m	1979 £m	1980 £m	1981 £m	1982 £m	1983 £m	1984 £m	1985 £m	1986 £m
Net sales	1	7.5	31.8	56.8	77.0	74.4	61.9	51.3	38.7	26.2
Other income	2	0.3	—	—	2.3	7.1	10.1	5.5	6.7	7.7
		7.8	31.9	56.8	78.3	81.5	72.0	56.8	48.4	33.9
Less:										
Loan and other interest payable	3	12.3	14.5	12.3	10.5	10.5	10.5	—	—	—
Other expenses	4	1.0	1.0	1.3	1.3	1.0	1.0	1.1	1.1	1.2
Amortisation	5	1.5	7.2	14.1	19.8	19.3	15.7	13.0	10.2	7.0
Payments on the OPS	6	0.7	2.6	5.0	6.7	6.5	5.4	4.5	3.5	2.3
		15.5	25.6	32.7	38.3	37.3	32.8	18.5	14.8	10.5
Net income before taxes		(7.7)	8.4	24.2	41.0	44.2	38.4	38.2	31.6	23.4
Less:										
Petroleum Revenue Tax	7	0.9	3.1	6.3	7.2	8.9	5.9	4.9	3.9	2.8
Corporation Tax	7	—	—	0.6	18.7	20.5	18.3	18.1	18.0	11.2
Net income after taxes		(8.6)	3.3	18.3	15.1	15.8	15.2	16.2	12.7	9.8
Shareholders' funds at year end	8	(2.1)	1.2	19.6	34.8	51.4	66.8	81.8	94.8	104.1
(b) Cash flow/total borrowings										
Net income after taxes		(8.6)	3.3	18.3	15.1	16.8	15.2	15.2	12.7	9.6
Amortisation	5	1.5	7.2	14.1	19.8	19.3	15.7	13.0	10.2	7.0
Taxation adjustments	9	0.9	3.1	6.0	26.9	27.4	(10.8)	(12.6)	(8.0)	(6.4)
Capital expenditure	10	(30.8)	(15.8)	(7.8)	(4.8)	(0.8)	—	—	—	—
		(36.8)	(2.2)	30.8	56.0	62.7	20.0	15.7	14.9	10.2
Funds raised/(repaid)	11	30.0	2.1	(30.6)	(11.5)	—	(78.5)	—	—	—
Cash flow		(6.8)	(0.1)	—	64.6	62.7	(58.5)	15.7	14.9	10.2
Cash brought forward	12	6.9	0.1	—	—	54.5	117.2	58.7	74.4	89.3
Cash carried forward		0.1	—	—	54.5	117.2	58.7	74.4	89.3	99.6
Total borrowings at year end		105.8	107.9	77.3	75.8	76.8	0.8	0.8	0.8	0.8

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Basis B: oil price US$14.00 per barrel fixed (£8.24 at US$1.70 to £1)

(a) Net income/shareholders' funds	Notes	1978 £m	1979 £m	1980 £m	1981 £m	1982 £m	1983 £m	1984 £m	1985 £m
Net sales	1	9.9	40.4	71.7	96.9	93.8	78.2	64.9	50.4
Other income	2	0.4	0.3	1.3	5.3	10.7	13.1	8.2	9.3
		10.3	40.7	73.0	102.2	104.5	91.3	73.1	59.7
Less:									
Loan and other interest payable	3	12.3	14.1	11.9	10.5	10.5	10.6	—	—
Other expenses	4	1.0	1.0	1.3	1.3	1.0	1.0	1.1	1.1
Amortisation	5	1.5	7.2	14.1	19.8	19.3	15.7	13.0	10.2
Payments on the OPS	6	0.9	3.5	6.3	8.5	8.2	8.8	5.7	4.4
		15.7	25.8	33.6	40.1	39.0	34.0	19.8	15.7
Net income before taxes		(6.4)	14.9	39.4	62.1	65.5	57.3	53.3	44.0
Less:									
Petroleum Revenue Tax	7	1.8	6.7	11.8	16.6	15.2	12.7	10.7	8.4
Corporation Tax	7	—	—	8.9	25.6	27.6	24.3	23.1	19.3
Net income after taxes		(7.3)	8.2	18.9	20.9	22.8	20.3	19.5	16.3
Shareholders' funds at year end	8	(0.8)	7.4	26.3	47.2	70.0	90.3	109.8	126.1
(b) Cash flow/total borrowings									
Net income after taxes		(7.3)	8.2	18.9	20.9	22.8	20.3	19.5	16.3
Amortisation	5	1.5	7.2	14.1	19.8	19.3	15.7	13.0	10.2
Taxation adjustments	9	1.9	8.7	20.5	41.2	14.6	(23.3)	(15.8)	(15.8)
Capital expenditure	10	(30.6)	(15.6)	(7.8)	(4.8)	(0.8)	—	—	—
		(34.5)	6.3	45.7	77.1	55.8	12.7	16.7	10.7
Funds raised/(repaid)	11	30.0	(6.0)	(24.0)	—	—	(78.5)	—	—
Cash flow		(4.5)	0.3	21.7	77.1	55.8	(65.8)	16.7	10.7
Cash brought forward	12	6.9	2.4	2.7	24.4	101.6	157.3	91.5	108.2
Cash carried forward		2.4	2.7	24.4	101.5	157.3	91.5	108.2	118.9
Total borrowings at year end		105.8	99.8	75.8	75.8	75.8	0.9	0.8	0.8

Basis C: oil price US$16.80 per barrel fixed (£9.89 at US$1.70 to £1)

(a) Net income/shareholders' funds	Notes	1978 £m	1979 £m	1980 £m	1981 £m	1982 £m	1983 £m	1984 £m	1985 £m
Net sales	1	12.3	49.0	86.5	116.7	113.2	94.4	78.5	61.1
Other income	2	0.5	0.8	2.8	8.3	13.7	15.8	11.0	12.2
		12.8	49.8	89.3	125.0	126.9	110.0	89.5	73.3
Less:									
Loan and other interest payable	3	12.3	14.1	11.9	10.5	10.5	10.5	—	—
Other expenses	4	1.0	1.0	1.3	1.3	1.0	1.0	1.1	1.1
Amortisation	5	1.6	7.2	14.1	18.8	19.3	15.7	13.0	10.2
Payments on the OPS	6	1.1	4.3	7.6	10.2	9.9	8.3	6.9	5.4
		15.9	26.6	34.9	41.8	40.7	35.5	21.0	16.7
Net income before taxes		(3.1)	23.2	54.4	83.2	86.2	74.5	68.5	56.6
Less:									
Petroleum Revenue Tax	7	2.9	10.2	17.6	23.7	23.1	19.3	16.2	12.7
Corporation Tax	7	—	—	17.1	32.7	34.5	30.1	28.4	23.7
Net income after taxes		(6.0)	13.0	19.7	26.8	28.6	25.1	23.8	20.2
Shareholders' funds at year end	8	0.5	13.5	33.2	60.0	88.8	113.7	137.8	157.8
(b) Cash flow/total borrowings									
Net income after taxes		(6.0)	13.0	19.7	26.8	28.8	25.1	23.9	20.2
Amortisation	5	1.5	7.2	14.1	19.8	19.3	15.7	13.0	10.2
Taxation adjustments	9	2.9	10.2	34.7	56.4	(9.3)	(25.2)	(16.8)	(18.2)
Capital expenditure	10	(30.6)	(15.8)	(7.8)	(4.8)	(0.8)	—	—	—
		(32.2)	14.8	60.7	98.2	37.8	15.8	20.1	12.2
Funds raised/(repaid)	11	30.0	(6.0)	(24.0)	—	—	(78.5)	—	—
Cash flow		(2.2)	8.6	36.7	98.2	37.8	(62.9)	20.1	12.2
Cash brought forward	12	6.9	4.7	13.3	50.0	148.2	186.0	123.1	143.2
Cash carried forward		4.7	13.3	50.0	148.2	186.0	123.1	143.2	[illegible]
Total borrowings at year end		105.8	99.8	75.8	75.8	75.8	0.8	0.8	0.8

Basis D: oil price US$14.00 per barrel, rising at 5 per cent. compound per annum after 1978

(a) Net income/shareholders' funds	Notes	1978 £m	1979 £m	1980 £m	1981 £m	1982 £m	1983 £m	1984 £m	1985 £m
Net sales	1	9.9	42.5	79.3	112.6	114.7	100.6	88.0	72.1
Other income	2	0.4	0.4	1.7	6.7	12.7	15.3	11.0	12.5
		10.3	42.9	81.0	119.3	127.4	115.9	99.0	84.6
Less:									
Loan and other interest payable	3	12.3	14.1	11.9	10.5	10.5	10.5	—	—
Other expenses	4	1.0	1.0	1.3	1.3	1.0	1.0	1.1	1.1
Amortisation	5	1.5	7.2	14.1	19.8	19.3	15.7	13.0	10.2
Payments on the OPS	6	0.9	3.7	6.9	9.8	10.0	8.8	7.7	6.3
		16.7	26.0	34.2	41.4	40.8	36.0	21.8	17.8
Net income before taxes		(5.4)	16.9	46.8	77.9	86.8	79.9	77.2	67.0
Less:									
Petroleum Revenue Tax	7	1.9	7.7	15.7	23.6	25.6	23.4	20.8	16.3
Corporation Tax	7	—	—	11.3	29.9	33.4	30.9	30.6	27.4
Net income after taxes		(7.3)	9.2	19.8	24.4	27.6	25.6	25.8	23.3
Shareholders' funds at year end	8	(0.8)	8.4	28.2	52.8	80.2	105.8	131.6	154.9
(b) Cash flow/total borrowings									
Net income after taxes		(7.3)	9.2	19.8	24.4	27.6	25.6	25.8	23.3
Amortisation	5	1.5	7.2	14.1	19.8	19.3	15.7	13.0	10.2
Taxation adjustments	9	1.9	7.7	26.9	53.8	7.8	(21.9)	(15.0)	(18.1)
Capital expenditure	10	(30.6)	(15.8)	(7.8)	(4.8)	(0.8)	—	—	—
		(34.5)	8.3	53.0	93.0	53.9	19.4	23.8	15.4
Funds raised/(repaid)	11	30.0	(6.0)	(24.0)	—	—	(78.6)	—	—
Cash flow		(4.5)	2.3	29.0	93.0	53.9	(59.1)	23.8	15.4
Cash brought forward	12	6.9	2.4	4.7	33.7	126.7	180.6	121.5	145.3
Cash carried forward		2.4	4.7	33.7	126.7	180.6	121.5	145.3	160.7
Total borrowings at year end		105.8	99.8	75.8	75.8	75.8	0.8	0.8	0.8

NOTES:

1. Net sales comprise (a) the proceeds of sale of oil on the basis of the production profile predicted by DeGolyer and MacNaughton (Case 2), less operating costs and Government royalty; and (b) the proceeds of sale of gas liquids, assuming total production of 1,597,000 barrels (9 per cent. of the total predicted by DeGolyer and MacNaughton (Case 2)) and the same profile as for oil (except that it is assumed that no natural gas liquids will be produced in 1978). The price of natural gas liquids has been taken at approximately £3.76 per barrel (Basis A), £4.70 per barrel (Basis B), £5.65 per barrel (Basis C) and £4.70 per barrel, rising at 5 per cent. compound per annum after 1978 (Basis D). Operating costs are assumed to be £2.4 million in 1978, £2.5 million in 1979, rising by 10 per cent. per annum until 1982 and to be £3.5 million per annum thereafter. Government royalty has been taken as 12½ per cent. of the gross sales of oil and natural gas liquids after deduction of operating costs.

2. Other income comprises interest earned on surplus cash (where applicable) on the basis of an average of the opening and closing balances for the relevant year, except for 1983 when an adjustment has been made to reflect the repayment of the Loan Stock at the end of the year.

3. Loan and other interest payable comprises interest on the Loan Stock (£10.5 million per annum) and on the bank facilities.

4. Other expenses comprise estimates of general management costs and amounts payable to Ranger under agreements referred to in paragraph 6 of part 1 of this document.

5. Amortisation comprises amortisation of exploration and development expenditure on the Ninian Field and the cost of raising development finance, all of which has been amortised on the basis of the proportion which predicted production in the relevant year bears to the total reserves of the Ninian Field predicted to be recovered by the end of 1999 (1,042.1 million barrels).

6. Payments on the OPS include the related advance corporation tax at 35 per cent. and are based on the production profile predicted by DeGolyer and MacNaughton (Case 2) and the relevant price of oil and natural gas liquids. Operating costs and Government royalty have been deducted from the gross revenue to arrive at the figures on which the OPS payments are calculated.

7. Petroleum revenue tax and corporation tax are calculated in accordance with current legislation and are based on the price of oil and natural gas liquids at the end of each year. Petroleum revenue tax is computed on the assumption that 90 per cent. of capital expenditure qualifies for the 75 per cent. uplift allowed under current legislation and is charged in the profit and loss account in the proportion which production in the relevant year bears to the total reserves of the Ninian Field predicted to be recovered by the end of 1999 (1,042.1 million barrels). Corporation tax has been reduced to the extent to which advance corporation tax is available for offset against mainstream

8. Shareholders' funds at year end consist of the aggregate of the issued Ordinary Share capital and reserves

9. Taxation adjustments represent adjustments to the petroleum revenue tax and corporation tax charges in the income illustrations to reflect amounts paid. The payment of corporation tax is deferred by reason of capital allow

10. Capital expenditure comprises capital expenditure on the Project on the basis of the figures shown in paragraph 16 of part 2 of this document. No account has been taken of any Government grants which may be receivable. The capital expenditure provided for includes the cost of only 12 development wells for the northern platform; DeGolyer and MacNaughton assumes an available capacity of 25 wells on this platform. A decision as to the drilling of additional wells will be taken in the light of production experience.

11. Funds raised/(repaid) comprise the following:—

(i) drawings and scheduled repayments made under the bank facilities referred to in paragraph 7 of this document; and

(ii) the repayment at par of the Loan Stock on 31st December, 1983, together with accrued interest from September, 1983.

12. Cash brought forward into 1978 reflects the results forecast and the cash flow expected for 1977.

Appendix VI Ninian Financing

(a) The Oil Production Stock

The OPS of LSMO is constituted by a Trust Deed dated 17th August, 1976 between LSMO, SCOT and Commercial Union Assurance Company Limited as Trustee and a deed supplemental thereto dated 24th February, 1977. All payments in respect thereof are guaranteed by SCOT. The OPS is technically a loan stock and payments thereon are not dividends, although they are treated for tax purposes as distributions. Save as to the subordination provisions mentioned below, the half-yearly payments on the OPS and the repayment of the nominal amount, described below, rank in the same manner as the other unsecured debts of LSMO, including the Loan Stock and the bank facilities and interest payments thereon.

Holders of OPS are entitled to receive between them, in respect of each half of each calendar year (beginning with the half year in which significant production from the Ninian Field commences) an aggregate payment which, together with the appropriate tax credit, is 8.75 per cent. of the Value of Petroleum, calculated as described below. The amount payable on each Unit will be one 7,500,000th of 8.75 per cent. of the Value of Petroleum, the sum so payable being inclusive of advance corporation tax (and any other tax which may be payable or deductible in making the payments); at present tax rates, therefore, the actual cash payments would normally be 65 per cent. of such sums.

The Value of Petroleum will be calculated by taking, for each month, the volume of petroleum produced which is attributable to the present 30 per cent. interest in Block 3/8 of LSMO and SCOT multiplied by the market value of such petroleum in the middle of the month, and deducting therefrom the operating costs of producing and treating such petroleum and transporting it as far as Sullom Voe and the Government royalty attributable to such petroleum.

The payments will not be affected in any way by voluntary changes in the interest in the Ninian Field of LSMO or SCOT. The payments would, however, be affected if the proportion of the Ninian Field attributable to Block 3/8 were to be redetermined or if LSMO or SCOT were to be required to reduce its beneficial interest in the Ninian Field involuntarily.

Each half-yearly payment is due four months after the end of the calendar half year to which it relates, to allow time for the necessary calculations to be made. The payments continue until the earliest of (i) the date when production on which LSMO has made payments reaches 120 million barrels (which it is expected should be equivalent to production from the Ninian Field in Blocks 3/3 and 3/8 of 1,350 million barrels); (ii) the date when commercial production from the Ninian Field is finally abandoned; and (iii) 31st December, 2010. All OPS outstanding when the half-yearly payments cease will then be repaid at par.

In the event of a default by LSMO in relation to the OPS (including failure to make any half-yearly payment when due), or of unilateral abandonment of the interest in the Ninian Field of LSMO and SCOT or involuntary relinquishment of either or both of those interests (except in any case where the involuntary relinquishment does not reduce the benefit to the relevant company of that interest), LSMO is required to repay the OPS by paying to holders the higher of the nominal value of the OPS and its market value at that time; however, in the case of involuntary relinquishment, the total payments will not exceed 20 per cent. of the compensation received. In the case of partial involuntary relinquishment, a proportional payment will be made and the entitlement of holders of OPS to future payments will be reduced correspondingly. Any such payment made on the OPS will (insofar as it exceeds the nominal amount of the OPS) (i) be inclusive of advance corporation tax (and any other tax which may be payable or deductible in making the payment) and (ii) be subordinated to payments due on the Loan Stock and be payable only on full repayment of the Loan Stock (unless its due date is postponed beyond 29th April, 1984).

The OPS may be purchased by LSMO in the market or by tender or, subject to certain limitations, by private treaty. The Trust Deeds include (i) provisions limiting the ability of each of LSMO and SCOT to make further issues of securities similar to the OPS, or to dispose of part or all of the interest in the Ninian Field; and (ii) a negative pledge which prohibits both LSMO and SCOT from creating any charge on any of their respective interests in the Project (except any charge required to be given to any operator or participant in the Project) without granting corresponding security to the holders of the OPS, the latter provision to operate until approximately seven and a half years of production from the Ninian Field have elapsed.

(b) The Loan Stock

The Loan Stock is constituted by a Trust Deed dated 17th August, 1976 between LSMO, SCOT and General Accident Fire and Life Assurance Corporation Limited as Trustee and a deed supplemental thereto dated 24th February, 1977. All payments in respect thereof are guaranteed by SCOT.

Holders of the Loan Stock are entitled to receive interest at the rate of 14 per cent. per annum, payable in two equal instalments on 28th February and 31st August in each year.

LSMO has the right to redeem the Loan Stock in whole or (by drawings or *pro rata* to holdings) in part, on not less than three months' notice, on or at any time after 1st January, 1981 at par together with accrued interest. The Loan Stock is finally redeemable on 31st December, 1983 at par together with accrued interest. In the event of unilateral abandonment of the interest in the Ninian Field of LSMO and SCOT or involuntary relinquishment of either or both of those interests (except in any case where the involuntary relinquishment does not reduce the benefit to the relevant company of that interest), the Loan Stock (or, in the case of partial involuntary relinquishment, a proportionate part) will become repayable at par, together with accrued interest.

The repayments of the OPS described above (insofar as they exceed the nominal amount thereof) are subordinated to payments due on the Loan Stock and are payable only on full repayment of the Loan Stock (unless its due date is postponed beyond 29th April, 1984). The Trust Deeds (i) contain provisions restricting the overall borrowings of LSMO and its subsidiaries, and the disposal by either LSMO or SCOT of its interest in the Ninian Field; and (ii) include a negative pledge which prohibits both LSMO and SCOT from creating any charge on any of their respective assets (except any charge required to be given to any operator or participant in the Project or, in certain circumstances, in any other petroleum exploration or development activity of the relevant company) without granting corresponding security to the holders of the Loan Stock.

(c) Bank facilities

On 23rd June, 1977, LSMO entered into an agreement with a consortium of banks led by Williams & Glyn's whereby the banks have made available to LSMO an unsecured term loan facility of £30 million to be used for LSMO's share of the costs of the Project. Drawdown of the facility, which is subject to the obligations of Morgan Grenfell under the agreement referred to in paragraph 4 of Appendix VII becoming unconditional, may take place between 20th July, 1977 and 10th September, 1979, with not more than £5,400,000 being drawn prior to 1st January, 1978. Repayment is scheduled to take place in five equal quarterly instalments commencing on 10th December, 1979, but, if commercial production from the Ninian Field does not commence before 30th June, 1978, LSMO may (by giving notice before 1st August, 1978) elect for repayment of each instalment to be delayed by three months. Interest is payable quarterly in arrear on the amounts drawn at a margin of 2½ per cent. over the London Inter-bank Offered Rate. A participation fee of £300,000, and a commitment fee of ½ per cent. per annum on the amount undrawn and available for drawing, are also payable, and Williams & Glyn's will receive an annual management fee.

The agreement prohibits LSMO and its subsidiaries from creating any mortgage, charge or lien (except any charge required to be given to any operator or participant in the Project or, in certain circumstances, in any other petroleum exploration or development activity) unless corresponding security is extended to the loan and the overdraft (referred to below). It also prohibits (without the consent of the banks) disposal of any interest in the Ninian Field or substantial disposals of any other assets (except in the ordinary course of trading) and the making of substantial minority investments in other companies. Until 60 per cent. of the loan has been repaid, LSMO may not pay dividends without the consent of the banks. After 30th June, 1977, LSMO and its subsidiaries may not expend more than £3 million for each 12 month period (on a cumulative basis) on anything other than the Project, the loan, the Loan Stock and the OPS, and administration; until 60 per cent. of the loan has been repaid, such permitted further expenditure must be related to the oil or gas industries but thereafter it may be in other energy fields. These restrictions on further expenditure do not apply to the proceeds of new share issues (other than the issue now being made). No further borrowings may be made by LSMO or its subsidiaries without the consent of the banks.

On 23rd June, 1977, Williams & Glyn's also agreed with LSMO to make available on normal banking terms an overdraft facility of £5 million until 30th September, 1979. If drawn, interest will be payable at a margin of ½ per cent. over Williams & Glyn's base rate, with a minimum interest rate of 7 per cent.

Payments by LSMO under these loan and overdraft facilities are guaranteed by SCOT.

Appendix VII Statutory and General Information

1. Share and Loan Capital and Subsidiaries

LSMO was incorporated in England as a private company on 23rd April, 1971 and was converted into a public company on 30th January, 1976.

On 12th January, 1977, the authorised share capital of LSMO was increased from £7,500,000 to £12,500,000 by the creation of 5,000,000 shares of £1 each and, on 29th June, 1977, a Resolution was passed whereby (subject to listing by The Stock Exchange of LSMO's share capital) the 12,500,000 shares of £1 each were sub-divided into shares of 25p each, which were redesignated as Ordinary Shares, and the authorised share capital was further increased to £15,000,000 by the creation of 10,000,000 additional Ordinary Shares of 25p each.

In July and August 1975, LSMO issued (a) in connection with the acquisition from Cawoods Holdings Limited of the whole of the issued share capital of William Reay & Company Limited ("Reay"), 81,688 shares of £1 each, credited as fully paid, 163,377 shares of £1 each, credited as 30p paid (now fully paid), and 912,605 shares of £1 each for cash at par, and (b) in connection with the acquisition from National Carbonising Company, Limited of the whole of the issued share capital of Natural Resources Limited (now named Neptune Oil Limited) ("Neptune"), 385,890 shares of £1 each credited as fully paid, and 771,780 shares of £1 each, credited as 30p paid (now fully paid). In January and February 1977, LSMO issued 3,085,719 shares of £1 each, credited as fully paid, in connection with the acquisition of the issued share capital of SCOT.

In July and August 1975, LSMO issued £3,768,200 Floating Rate Unsecured Loan Stock 1975 for cash at par, all of which has since been repaid, and on 10th February, 1976 issued £57,500,000 Loan Stock and 5,750,000 Units of 10p each of OPS for cash at par. On 24th February, 1977, LSMO issued a further £17,500,000 Loan Stock and 1,750,000 Units of 10p each of OPS, credited as fully paid in each case, to the holders of Loan Stock and OPS respectively of SCOT in consideration of the cancellation of their holdings.

SCOT was incorporated in England on 15th January, 1970 and is a private company. It has an issued and fully paid share capital of £5,400,000, divided into 5,400,000 shares of £1 each. On 10th February, 1976, SCOT issued £17,500,000 14 per cent. Unsecured Loan Stock 1981/83 and 1,750,000 Units of 10p each of Oil Production Stock for cash at par, all of which were cancelled on 24th February, 1977 as mentioned above.

Reay is a private company which was incorporated in England on 13th November, 1918. It has an issued and fully paid share capital of £90,087, divided into 90,087 Ordinary Shares of £1 each.

Neptune is a private company which was incorporated in England on 29th January, 1975. It has an issued and fully paid share capital of £566,903, divided into 566,903 Ordinary Shares of £1 each.

SCOT, Reay and Neptune are all wholly-owned subsidiaries of LSMO.

In July 1975, Reay issued 80,087 Ordinary Shares of £1 each for cash at par and, in August 1975, Neptune issued 566,803 Ordinary Shares of £1 each for a total cash consideration of £576,888.

In connection with the issue by LSMO in August 1975 of £1,158,594 Floating Rate Unsecured Loan Stock 1975, Cazenove & Co. were paid a fee of £2,896, exclusive of VAT. A commitment fee of ½ per cent. of the nominal amount of such Stock was paid to the subscribers. In connection with the issue by LSMO and SCOT of a total of £75,000,000 Loan Stock and 7,500,000 Units of 10p each of OPS, Morgan Grenfell received commissions of 2 per cent. on the total subscription price and also fees totalling £500,000, exclusive of VAT (£383,000 in the case of LSMO and £117,000 in the case of SCOT) in respect of advice in connection with the issues. Out of such commissions and fees, Morgan Grenfell paid sub-underwriting commissions of 1¼ per cent., which amounted to £946,875, exclusive of VAT, fees of £301,875 to Cazenove & Co. and £25,000 to R. C. Greig & Co., the brokers to the issues, and its own legal expenses. Brokerages (inclusive of VAT) amounting to £50,708 (£40,310 in the case of LSMO and £10,398 in the case of SCOT) were paid in connection with the issue of Loan Stock.

2. Disclosure of Interests

(a) The following are the present interests of the Directors and their families (beneficial, except where stated) in the issued share and loan capital of LSMO:—

Name	Ordinary Shares of 25p each	Loan Stock	Units of OPS
F. B. Grant	—	—	500
G. W. Searle	—	£1,000	—
M. J. K. Belmont	45,732	—	1,000
E. Binks	4,000	£15,000	7,500
G. Cochrane	1,000	—	—
W. Greentree	—	—	1,100
I. Pierce	—	—	—
D. F. G. Stroud	340	—	—
E. H. Vestey	—	£517,000 (non-beneficial)	—

No part of the above holdings of Ordinary Shares are to be sold in the Offer for Sale.

(b) As at 24th June, 1977, LSMO had been advised of the holdings of shares set out below amounting to 5 per cent. or more of the issued capital of LSMO as at that date; there is also set out below the percentage of LSMO's issued share capital held by those holders at 24th June, 1977, the number of shares from such holdings agreed to be sold pursuant to the agreement with Morgan Grenfell referred to in paragraph 4 of this Appendix, and the number of shares and the percentage of LSMO's issued share capital which each of the undermentioned shareholders will hold following such sales.

Name	Position at 24th June, 1977: Number of Ordinary Shares of 25p each held	Position at 24th June, 1977: Percentage of issued Ordinary Share capital	Number of Ordinary Shares to be sold in the Offer for Sale	Position following disposal and increase in share capital (Note): Number of Ordinary Shares held	Position following disposal and increase in share capital (Note): Percentage of issued Ordinary Share capital
Cawoods Holdings Limited	4,630,680	11.0	114,158	4,516,522	9.3
National Carbonising Company, Limited	4,630,680	11.0	114,158	4,516,522	9.3
The Scottish American Investment Company Limited	2,480,000	5.9	600,000	1,880,000	3.8
James Finlay & Co. Limited	2,428,232	5.8	59,862	2,368,370	4.9
General Accident Fire and Life Assurance Corporation Limited	2,295,148	5.5	56,581	2,238,567	4.6
Blue Star Line Limited	2,120,000	5.0	56,835	2,063,165	4.2

Note: This assumes that no shares are acquired by these shareholders pursuant to the Offer for Sale.

(c) Mr. M. J. K. Belmont is a partner of Cazenove & Co., brokers to LSMO, who have received within the period of two years immediately preceding the date of this document in respect of general financial advice amounting to £20,000 and in respect of issues of Floating Rate Unsecured Loan Stock 1975, OPS and Loan Stock, and who are receiving fees in connection with the present issue. Other partners of Cazenove & Co. and some partners of R. C. Greig & Co., who are also brokers to LSMO, own shares in LSMO. Mr. M. J. K. Belmont is a shareholder in Ranger Canada.

(d) Mr. E. Binks and Mr. D. F. G. Stroud are Directors and shareholders of Cawoods Holdings Limited and National Carbonising Company, Limited respectively. Mr. E. H. Vestey is a Director of Blue Star Line Limited.

(e) Neither DeGolyer and MacNaughton nor Ranger Canada or any subsidiary of Ranger Canada has any interest in the Ordinary Shares, OPS or Loan Stock of LSMO.

(f) Morgan Grenfell owns 24,000 Ordinary Shares of 25p each in LSMO.

3. Articles of Association

The Articles of Association of LSMO contain provisions (*inter alia*) to the following effect:—

(i) At a general meeting of LSMO, on a show of hands every Member who is present in person shall have one vote and on a poll every Member who is present in person or by proxy shall have one vote for every £1 nominal amount of share capital of which he is the holder. A corporation being a Member is deemed to be present in person if represented by proxy or in accordance with the provisions of the Companies Acts.

(ii) The Board of Directors shall restrict the borrowings of LSMO and exercise all voting and other rights or powers of control exercisable by LSMO in relation to its subsidiaries with a view to securing (but as regards subsidiaries only insofar as by the exercise of such rights or powers of control the Board can secure) that the aggregate amount from time to time outstanding of all borrowings (as such expression is defined for the purpose in the Articles) by LSMO and its subsidiaries (exclusive of borrowings owing by LSMO to any such subsidiary or by any subsidiary to another such subsidiary or to LSMO) shall not at any time without the previous sanction of an ordinary resolution of LSMO exceed £150,000,000.

(iii) The Directors are entitled to fees aggregating not more than £30,000 per annum, or such higher sum as may be determined by an ordinary resolution of LSMO. The Directors are also entitled to be repaid any reasonable travelling, hotel and other expenses incurred in conducting the business of LSMO. Any Director who performs special services may be paid such extra remuneration as the Directors may determine. The Directors may also appoint executive directors upon such terms (including remuneration) as the Board may determine, such remuneration to be either in addition to or in lieu of fees as a Director. A Director may hold other offices with LSMO on such terms (including remuneration) as the Board may determine and may also be interested in a company in which LSMO is interested.

(iv) Where arrangements are under consideration concerning the appointment (including the arrangement or variation of the terms thereof, or the termination thereof) of two or more Directors to offices or places of profit with LSMO or any other company in which LSMO is interested, a separate resolution may be put in relation to each Director and in such case each of the Directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment and except (in the case of an office or place of profit with any such other company as aforesaid) where the other company is a company in which the Director owns 1 per cent. or more (as such expression is defined for the purpose in the Articles).

(v) Save as otherwise provided in the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he is to his knowledge materially interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to any of the following matters namely:—

(a) any contract or arrangement for giving to such Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of LSMO or any of its subsidiaries;

(b) any contract or arrangement for the giving by LSMO of any security to a third party in respect of a debt or obligation of LSMO or any of its subsidiaries which the Director has himself guaranteed or secured in whole or in part;

(c) any contract or arrangement by a Director to subscribe for shares, debentures or other securities of LSMO issued or to be issued pursuant to any offer or invitation to Members or debenture holders of LSMO or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of LSMO;

(d) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of LSMO or by reason of any other interest in or through LSMO;

(e) any contract or arrangement concerning any other company (not being a company in which the Director owns 1 per cent. or more (as such expression is defined as aforesaid)) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;

(f) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme which relates both to Directors and employees and does not accord to any Director as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; and

(g) any arrangement for the benefit of employees under which the Director benefits in a similar manner as the employees.

(vi) Where a company in which a Director holds 1 per cent. or more (as such expression is defined as aforesaid) is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.

(vii) LSMO may by ordinary resolution suspend or relax the provisions of paragraphs (iv), (v) and (vi) above to any extent or ratify any transaction not duly authorised by reason of a contravention of such paragraphs.

The provisions of Section 185 of the Companies Act 1948 (which relate to retirement of directors) apply to the Directors of LSMO.

4. Agreement with Morgan Grenfell

Under the contract referred to in (iii) of paragraph 6 below, Morgan Grenfell has agreed, subject to the Council of The Stock Exchange admitting the whole of the share capital of LSMO, issued and to be issued, to the Official List on or before 8th July, 1977, to purchase from the LSMO shareholders listed therein 1,900,000 Ordinary Shares of 25p each of LSMO, at a price of 151.9p per share, and to subscribe a further 6,600,000 such Ordinary Shares at a price of 151.9p each, and to offer all such shares to the public by means of this Offer for Sale at a price of 155p each.

LSMO will pay the costs and expenses of and incidental to the increase in, and sub-division of, its share capital and the application for the listing of its issued Ordinary Shares, its accountancy and legal expenses, the costs of printing, advertising and circulating this Offer for Sale, the fees and expenses of the petroleum consultants, the receiving bankers and the registrars, a fee to Morgan Grenfell and fees (exclusive of VAT) of £73,000 to Cazenove & Co. and £7,000 to R. C. Greig & Co., the brokers to the issue. The aggregate costs and expenses payable by LSMO in respect of the Offer for Sale are estimated to amount to £520,000, exclusive of VAT. The existing LSMO shareholders who have agreed to sell shares to Morgan Grenfell under the agreement referred to above have agreed to pay the stamp duty payable on the eventual transfer of such shares on the expiry of the renunciation period of the letters of acceptance. Morgan Grenfell will pay its own legal expenses, fees (exclusive of VAT) of £27,000 to Cazenove & Co. and £3,000 to R. C. Greig & Co. and a commission to underwriters of 1¼ per cent. on the offer price.

5. Premises

LSMO occupies office premises on the first and fifth floors of 3 Henrietta Place, London W1M 9AG. The premises on the first floor cover 2,117 square feet and are held for a period expiring on 28th August, 1982 at a rent of £16,936 per annum without break or review, plus service charge. Part of this accommodation is used by Star Offshore Services Limited ("SOS"), which has agreed to reimburse LSMO £7,186 of the annual rental and a proportionate part of the service charge. Both SOS and LSMO have accommodation on the fifth floor, in premises which cover approximately 4,694 square feet, under joint arrangements with Blue Star Offshore Limited. LSMO occupies 36 per cent. of these premises for a rent of £12,060 per annum (without review) plus service charge and rates. The arrangements for this accommodation expire on 28th August, 1982. SOS also provides LSMO with receptionist staff, telephones and other sundry facilities, obtaining reimbursement from LSMO on the agreed use of each facility. Mr. G. W. Searle, the Deputy Chairman and Managing Director of LSMO, is chairman and a shareholder of SOS; Mr. M. J. K. Belmont is a shareholder in SOS.

6. Contracts

The following contracts, which are or may be material, have been entered into by LSMO otherwise than in the ordinary course of business within the period of two years immediately preceding the date of this document:—

(i) Agreement dated 15th July, 1975, between Cawoods Holdings Limited and LSMO, relating to the acquisition by LSMO of the whole of the issued share capital of Reay.

(ii) Agreement dated 15th July, 1975, between National Carbonising Company, Limited and LSMO, relating to the acquisition by LSMO of the whole of the issued share capital of Neptune.

(iii) Agreement dated 29th June, 1977, between Mr. M. J. K. Belmont and Mr. G. W. Searle on behalf of certain shareholders of LSMO, the Directors of LSMO, LSMO and Morgan Grenfell, being the contract referred to in paragraph 4 above.

(iv) Agreement dated 29th June, 1977, between LSMO and Mr. G. W. Searle, whereby Mr. Searle accepted employment with LSMO as Managing Director at a salary of £20,000 per annum inclusive of directors' fees for a term of three years from the date of the agreement, which term may be extended by a further year by agreement between the parties with effect from each anniversary of the date of the agreement.

(v) Trust Deed dated 17th August, 1976, and a supplemental Trust Deed dated 24th February, 1977, between LSMO, SCOT and Commercial Union Assurance Company Limited, constituting the OPS of LSMO.

(vi) Trust Deed dated 17th August, 1976, and a supplemental Trust Deed dated 24th February, 1977, between LSMO, SCOT and General Accident Fire and Life Assurance Corporation Limited, constituting the Loan Stock of LSMO.

(vii) Loan Agreement dated 23rd June, 1977, between LSMO, SCOT, Bank of Montreal, Grindlays Bank Limited, International Energy Bank Limited, International Westminster Bank Limited, Morgan Grenfell, Standard Chartered Bank Limited and Williams & Glyn's, granting the term loan facility described in paragraph (c) of Appendix VI of this document.

7. General

(a) The Directors of LSMO believe that LSMO is not a close company, as defined in the Income and Corporation Taxes Act 1970 (as amended).

(b) Neither LSMO nor any of its subsidiaries has any unissued share or loan capital under option or agreed conditionally or unconditionally to be put under option.

(c) Save as mentioned herein, (i) within the period of two years immediately preceding the date of this document, no share or loan capital of LSMO or any of its subsidiaries (other than shares beneficially owned by LSMO) has been issued, either for cash or otherwise; (ii) during that period, no commissions, discounts, brokerages or other special terms have been granted by LSMO or any of its subsidiaries in connection with the issue or sale of any part of their respective share or loan capital; and (iii) no unissued share or loan capital of LSMO or any of its subsidiaries has been agreed to be issued, or is now proposed to be issued, either for cash or otherwise.

(d) So far as the Directors of LSMO are aware, there is no material litigation and no claim of material importance pending or threatened against LSMO or any of its subsidiaries.

(e) Save as mentioned herein, no Director of LSMO has any service contract with LSMO or any of its subsidiaries which is not terminable by the employer within one year or less without payment of compensation, except for statutory compensation.

(f) Save as mentioned herein, no Director of LSMO has or had any interest, direct or indirect, in any assets which within the past two years have been acquired or disposed of by, or leased to, LSMO or any of its subsidiaries.

(g) Save as mentioned herein, no Director of LSMO has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of LSMO and its subsidiaries taken as a whole.

(h) The Directors have been advised that no material liability for estate duty or capital transfer tax is likely to fall upon LSMO or any of its subsidiaries as a result of transactions effected prior to this Offer for Sale. No indemnities in respect of estate duty or capital transfer tax have been obtained other than those obtained pursuant to the agreements referred to in paragraphs 6 (i) and 6 (ii) above.

(i) Following the Offer for Sale, 11,395,764 Ordinary Shares (19.0 per cent. of the authorised Ordinary Share capital) will remain unissued. No issue will be made which will effectively alter the control of LSMO or the nature of its business without the prior approval of the members of LSMO in general meeting. No material issue of shares (other than to shareholders *pro rata* to their holdings) will be made within one year of the date of this document without the prior approval of the members of LSMO in general meeting.

(j) In the opinion of the Directors, the minimum amount which must be raised by LSMO by the subscription of shares by Morgan Grenfell referred to above to provide for the matters referred to in paragraph 4(a) of part 1 of the Fourth Schedule to the Companies Act 1948 is £9,500,000, all of which is required for working capital.

8. Consents and Documents for Inspection

(a) DeGolyer and MacNaughton, Whinney Murray & Co. and Arthur Young McClelland Moores & Co. have given and have not withdrawn their respective written consents to the issue of this document with the inclusion herein of their respective reports and/or letters and references to them in the form and context in which they are included.

(b) These consents, a statement setting out the adjustments made by Whinney Murray & Co. and Arthur Young McClelland Moores & Co. in arriving at the figures shown in their report and giving the reasons therefor, and copies of the contracts listed in paragraph 6 of this Appendix, were attached to the copy of this document delivered to the Registrar of Companies for registration.

(c) Copies of the following documents may be inspected at the offices of Morgan Grenfell & Co. Limited, New Issue Department, 4 Throgmorton Avenue, London EC2P 2NB and of Morgan Grenfell (Scotland) Limited, 35 St. Andrew Square, Edinburgh EH2 2AL during usual business hours on any weekday (Saturdays excepted) during the 14 days following the publication of this document:—

(i) the Memorandum and Articles of Association of LSMO;

(ii) the contracts listed in paragraph 6 of this Appendix;

(iii) the audited accounts of LSMO and of SCOT for the years ended 31st December, 1975 and 31st December, 1976;

(iv) the report and statement of adjustments by Whinney Murray & Co. and Arthur Young McClelland Moores & Co. and the report of DeGolyer and MacNaughton referred to above;

(v) the letters set out in Appendix IV;

(vi) the consents mentioned in sub-paragraph (a) above;

(vii) the Licences referred to above in which LSMO and/or SCOT are participants;

(viii) the agreements with Ranger referred to in paragraph 5 of part I of this document;

(ix) the prospectus issued in January 1976 relating to the issues of OPS and Loan Stock by LSMO and SCOT; and

(x) the document dated 17th December, 1976 sent to the shareholders and the holders of the OPS and the Loan Stock of SCOT, setting out the proposals for the merger of LSMO and SCOT.

29th June, 1977

PROCEDURE FOR APPLICATION

Application must be made on the Application Form provided and must be sent to:—
Williams & Glyn's Registrars Limited,
16 Old Broad Street, London EC2N 1DL
and should arrive not later than 10 a.m. on Thursday, 7th July, 1977.

Applications must be for a minimum of 100 shares and must be in multiples of 100 shares up to 1,000 shares, in multiples of 500 shares from 1,000 shares to 10,000 shares and thereafter in multiples of 5,000 shares.

A separate cheque made payable to "Williams & Glyn's Bank Limited" and crossed "Not Negotiable", representing payment in full at the offer price and drawn on a bank or branch thereof in England, Scotland or Wales, must accompany each application.

Morgan Grenfell reserves the right to instruct Williams & Glyn's Registrars Limited to accept any application in whole or in part, to reject any application (and in particular multiple or suspected multiple applications), to present all cheques for payment on receipt and to retain Letters of Acceptance and surplus application money pending clearance of the respective applicants' cheques. If any application is not accepted, the amount paid on application will be returned by post at the applicant's risk and, if any application is accepted for fewer shares than the number applied for, the balance of the amount paid on application will be so returned.

Acceptance of applications will be conditional upon the Council of The Stock Exchange admitting to the Official List on or before 8th July, 1977 the whole of the share capital of LSMO issued and now being issued. Money paid in respect of applications will be returned if such listing is not granted on or before that date and, in the meantime, will be retained by Williams & Glyn's Bank Limited in a separate account.

Arrangements have been made for the registration by LSMO of the Ordinary Shares now being offered, free of stamp duty, in the names of the persons entitled thereto under the terms of the Letters of Acceptance, which will be renounceable up to and including 18th August, 1977. Applicants should consider whether the stamp duty declaration on the Application Form can be completed.

Definitive share certificates will be despatched on 15th September, 1977.

Copies of this Offer for Sale, including the Application Form, can be obtained from the following:—

Morgan Grenfell & Co. Limited,
New Issue Department,
4 Throgmorton Avenue,
London EC2P 2NB

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

R. C. Greig & Co.,
139 St. Vincent Street,
Glasgow G2 5JP

The Royal Bank of Scotland Limited,
PO Box 121,
98 Buchanan Street,
Glasgow G1 3BA

Williams & Glyn's Registrars Limited,
16 Old Broad Street,
London EC2N 1DL

The Royal Bank of Scotland Limited,
Registrars Department,
PO Box 27,
31 St. Andrew Square,
Edinburgh EH2 2AB

The Royal Bank of Scotland Limited,
PO Box 90,
150 Union Street,
Aberdeen AB9 8DU

and from the following branches of Williams & Glyn's Bank Limited:—

20 Birchin Lane, London EC3P 3DP * 67 Lombard Street, London EC3P 3DL
Kirkland House, Whitehall, London SW1A 2EB
171 Tottenham Court Road, London W1P 0DL * 38 Mosley Street, Manchester M60 2BE
Newater House, 9 Newhall Street, Birmingham B3 3PG * 106 St. Mary Street, Cardiff CF1 1LR
36/38 Baldwin Street, Bristol BS1 1NR * 31 Grey Street, Newcastle-upon-Tyne NE1 6ES
2/8 James Street, Liverpool L2 7PH * 30 East Parade, Leeds LS1 5PS
20 Westlegate, Norwich NR1 3LS * 155/156 High Street, Southampton SO9 5TJ

APPLICATION FORM

THE APPLICATION LIST WILL OPEN AT 10 a.m. ON THURSDAY, 7th JULY, 1977 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

THIS FORM SHOULD BE COMPLETED AND SENT TO WILLIAMS & GLYN'S REGISTRARS LIMITED, 16 OLD BROAD STREET, LONDON EC2N 1DL, TOGETHER WITH A REMITTANCE FOR THE FULL AMOUNT PAYABLE ON APPLICATION, TO ARRIVE NOT LATER THAN 10 a.m. ON THURSDAY, 7th JULY, 1977.

London & Scottish Marine Oil Company Limited

(Registered in England No. 1008965)

OFFER FOR SALE
by Morgan Grenfell & Co. Limited
of 8,500,000 Ordinary Shares of 25p each
at 155p per share payable in full on application

To: MORGAN GRENFELL & CO. LIMITED
Gentlemen,

Number of Ordinary Shares for which application is made★	†Amount of cheque enclosed at 155p per share
	£

†Amounts payable on application

Shares	Amount	Shares	Amount
100 shares	£155	2,000 shares	£3,100
200 shares	£310	3,000 shares	£4,650
300 shares	£465	4,000 shares	£6,200
400 shares	£620	5,000 shares	£7,750
500 shares	£775	10,000 shares	£15,500
1,000 shares	£1,550	50,000 shares	£77,500

and so on in proportion

★Applications must be for a minimum of 100 shares and must be in multiples of 100 shares up to 1,000 shares, in multiples of 500 shares from 1,000 shares to 10,000 shares and thereafter in multiples of 5,000 shares.

I/We enclose a cheque made payable to Williams & Glyn's Bank Limited for the above-mentioned sum, being the full amount payable on application for the above-stated number of Ordinary Shares of 25p each of London & Scottish Marine Oil Company Limited at 155p per share. I/We offer to purchase that number of shares or any smaller number of shares in respect of which this application may be accepted upon the terms of your Offer for Sale dated 29th June, 1977 and subject to the Memorandum and Articles of Association of London & Scottish Marine Oil Company Limited. I/We hereby request you to send me/us a Letter of Acceptance for the number of shares in respect of which this application is accepted, together with a cheque, if applicable, for any surplus application money, by post at my/our risk to the address first given below. I/We hereby authorise and request that you arrange for my/our name(s) to be placed on the Register of Members in respect of any shares allocated to, and the right to which has not been duly renounced by, me/us.

I/We warrant that the enclosed cheque will be met on first presentation.

I/We declare that I am/we are not resident outside the Scheduled Territories* and am/are not applying for the above-mentioned shares as the nominee(s) of any person(s) resident outside those Territories.

(If this declaration cannot be made it must be deleted and reference must be made to an Authorised Depositary or an Approved Agent in the Republic of Ireland* through whom this form must be lodged.)*

(1) Signature .... Dated .... July, 1977

Surname and Designation (Mr., Mrs., Miss or Title)
Forename(s) (in full)
Address (in full)

Please use BLOCK LETTERS

APPLICANTS SHOULD ALSO CONSIDER WHETHER THE STAMP DUTY DECLARATION BELOW CAN BE COMPLETED.

(In the case of joint applications, further applicants must sign and complete below)

(2) Signature
Surname and Designation (Mr., Mrs., Miss or Title) .... Forename(s) (in full)
Address (in full)

(3) Signature
Surname and Designation (Mr., Mrs., Miss or Title) .... Forename(s) (in full)
Address (in full)

(4) Signature
Surname and Designation (Mr., Mrs., Miss or Title) .... Forename(s) (in full)
Address (in full)

Please use BLOCK LETTERS

APPLICANTS ARE ADVISED TO ALLOW TWO FULL DAYS FOR DELIVERY THROUGH THE POST AND TO USE FIRST CLASS MAIL. MORGAN GRENFELL & CO. LIMITED RESERVES THE RIGHT TO INSTRUCT WILLIAMS & GLYN'S REGISTRARS LIMITED TO ACCEPT ANY APPLICATION IN WHOLE OR IN PART, TO REJECT ANY APPLICATION, TO PRESENT ALL CHEQUES FOR PAYMENT ON RECEIPT AND TO RETAIN LETTERS OF ACCEPTANCE AND SURPLUS APPLICATION MONEY PENDING CLEARANCE OF THE RESPECTIVE APPLICANTS' CHEQUES.

INSTRUCTIONS

1. The cheques should be made payable to "Williams & Glyn's Bank Limited" and crossed "Not Negotiable".
2. Please pin the cheque to this form. Staples should not be used.
3. A separate cheque, which must be drawn on a bank or branch thereof in England, Scotland or Wales, must accompany each application.
4. In the case of joint applicants, all must sign and, in the case of a corporation, this form must be completed under hand by an authorised official whose designation must be stated.
5. No receipt will be issued for the amount paid on application but an acknowledgement will be forwarded through the post at the risk of the applicant(s) either by a fully paid renounceable Letter of Acceptance (together with, if applicable, a cheque for any amount overpaid) or by return of the application money.

***DEFINITIONS**

The Scheduled Territories at present comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

Authorised Depositaries are listed in the Bank of England's Notice EC 1 and include most Banks and Stockbrokers in, and Solicitors practising in, the United Kingdom, the Channel Islands or the Isle of Man.

An Approved Agent in the Republic of Ireland is defined in the Bank of England's Notice EC 10 as amended.

STAMP DUTY DECLARATION

(To be completed by applicants in appropriate cases.)

In connection with the calculation of the stamp duty referred to in paragraph 4 of Appendix VII of the above-mentioned Offer for Sale (which stamp duty is not payable by the applicants):—

A. For the purposes of Part III of Schedule 11 to the Finance Act 1974, applicants who are able to do so should have the following declaration completed and signed by an Authorised Depositary:—

"I/We declare that from facts known to me/us or from enquiries I/we have made the person(s) named in the Application Form is/are *

* (i) resident outside the Scheduled Territories† and not applying for the shares as nominee(s);

(ii) applying for the shares as nominee(s) for person(s) resident outside the Scheduled Territories.†

*Delete whichever does not apply.

Signature of Declarant ....

† For the purposes of the above declaration, a person "resident outside the Scheduled Territories" means a person so resident for the purposes of the Exchange Control Act 1947 and also includes a person who, when acting in his capacity as a trustee of a particular trust, is treated by the Bank of England as resident outside the Scheduled Territories. For definitions of "Authorised Depositary" and "Scheduled Territories" see the last paragraph on the Application Form.

B. For the purposes of section 49 of the Finance Act 1974:—

I/We declare that I am/we are a body of persons established for charitable purposes only or the trustees of a trust so established.

Signature (1) ....
(2) ....
(3) ....
(4) ....

All joint applicants must sign.

OVERSEAS MARKETS

EUROBONDS

Summer rally is continued

BY FRANCIS GHILÈS

THE WEATHER may be grey but in the Eurobond market all is bright and sunny. Short term interest rates remain stable, if slightly below what they were a week ago, the flow of new issues modest and buyers more in evidence than sellers. The rise of the Yen had no perceptible effect on the market last week.

Gist Brocades was priced at par and a half and got off to a very good start in the secondary market while the CCF issue was increased to $35m. and priced at par.

So was Den Danske Provinsbank which was being quoted at a discount on the secondary market, presumably on account of it being a relatively unknown Danish name. Some dealers speak of resistance manifesting itself towards Danish paper. IU Overseas Finance was priced at par and New Brunswick at 99½.

Among the new issues is a $30m. for Finland's biggest commercial bank, Kansallis-Osake-Pankki; $30m. for the Dutch insurance company Amev which should do well as the thirst for Dutch paper shows no sign of abating; a $40m. floating rate note for the Long Term Credit Bank of Japan in the Euro-Asian bond market. This bond is the third such one to be listed on the Singapore stock exchange. It is the first time this borrower is coming to the market.

Selection Trust, the London mining finance house with international interests, including three developing mineral prospects in Canada and Australia, is raising $40m. while Brazil is raising a $50m. bond which will be placed with underwriters in the U.S. and, to a lesser extent, in Europe.

Fiat bond

The much-awaited Fiat bond will be announced this evening: the amount is $75m. and it constitutes the first-ever public issue for the company. The money is being raised through Fiat Finance Corp., the Dutch holding company 100 per cent. controlled by Internazionale Holdings Fiat of Lugano which controls all Fiat's international activities. This company's total investment portfolio at cost price stands at Sw.Frs.2½bn. and sales last year were Sw.Frs.14bn. Outside the banks, it represents one of the largest companies in the country. This explains no doubt why the Swiss National Bank is considering it as a Swiss risk and has imposed the 25 per cent. sales restriction in Switzerland customary in such cases.

The first dollar bond for Algeria, $25m. for the Banque Extérieur d'Algérie with an indicated coupon of 9 per cent. should be announced soon. UBAF and the Kuwait International Investment Company are expected to be lead managers.

The Canadian dollar sector of the market was rather dull last week, with insufficient trading for the slight improvement of the Canadian dollar against the U.S. dollar to have any real effect on prices. Walter Heller was priced at par and Kidder Peabody announced a C$20m. issue for Avco which is guaranteed by Avco Financial Services Inc., the third largest consumer finance company in the U.S.

The Deutschmark sector had a very good week. The CFP bond was priced at par, so was Grand Metropolitan after the coupon was cut to 7 per cent. Demand was very strong and broadly based. The favour with which it was received suggests that other good U.K. names with a DM exposure could well be tempted to tap this market in the coming weeks. Minolta was also in hot demand. A DM150m. issue for the City of Montreal was announced. Pricing is expected at par and a cut in the 7½ per cent. coupon is not to be excluded. A DM200m. issue for Norway will be announced at the beginning of the week with an indicated coupon of 6 per cent. lower than what the country had to pay on its last big bond in April. Norwegian paper is still very much in the ne plus ultra category.

The secondary market improved sharply during the week, helped may be in part by the weakness of the dollar. IMBDI did particularly well and was being quoted above par, as was the case with Manitoba. Turnover in the market was "tremendous" according to dealers, including Mexican and Brazilian issues.

Banque Française du Commerce Extérieur is floating a Y20bn. bond on the Japanese capital market. The bond carries the guarantee of the French Government. Previous Euro-Yen bonds have been well received by investors counting on a possible appreciation of the Japanese currency: this is particularly true of U.S. corporations which import many Japanese goods. In view of last week's rise in the value of the Yen, the BFCE bond should be well received.

CURRENT EUROBOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Gist Brocades	20	1985	6	8½	100½	Amrobank	*
STET	40	1983	4.5	9½	*	Hill, Samuel, Kredietbank	8.75
‡IU Overseas Fin.	35	1987	8.15	8½	100	Hambros	8.25
‡Den Danske Provinsbank	25	1982	Bullet	8½	100	S. G. Warburg	8.10
‡New Brunswick	50	1984	Bullet	8	99½	CSWW	6.61
‡CCF	35	1983	Bullet	6 1/16‖	100	CCF, CSWW	*
BNP	50	1982	Bullet	7½	*	BNP	*
Kansallis-Osake-Pankki	30	1983	Bullet	6¼‖	*	European Banking Corpn.	*
Brazil	50	1982	Bullet	9-9½	*	Merrill Lynch, Deutsche Bk.	*
Amev	30	1978/87	5.5	8½	*	Pierson Heldring	
‡Long Term Credit Bank of Japan	40	1982	Bullet	6 1/16‖	100	First Boston (Europe), Crédit Lyonnais	6.48
Selection Trust	40	1989	10.5	9	*	Morgan Grenfell	*
Fiat	75	1982	Bullet	8	*	UBS (Securities)	*
CANADIAN DOLLARS							
‡Walter Heller	25	1984	Bullet	9½	100	Orion	9.50
Avco	20	1982	Bullet	9½	*	Kidder Peabody	*
YEN (bn.)							
BFCE	20	1989	9.9	7.6	*	Nomura Securities	*
D-MARKS							
§Minolta	50	1987	—	6	*	West LB	*
City of Montreal	150	1987	8	7½	*	West LB	*
Kingdom of Norway	200	1982	Bullet	6	*	Deutsche Bk.	*
‡CFP	100	1984	Bullet	6½	100	Dresdner Bk.	7.00
‡Grand Metropolitan	60	1984	6	7	100	Commerzbank	
BAHRAINI DINARS							
CNAN (g'teed. by BEA)	10	1987	Bullet	8½	*	BAII (Mideast) Abu Dhabi Inv. Co.	*

* Not yet priced ‡ Final Terms ‖ Minimum § Convertible

BONDTRADE INDEX

	July 1	June 24	1977 High	Low
Medium	102.77	102.70	103.09	102.39
Long	95.98	95.79	95.98	94.78
Convertible	110.54	111.12	111.16	107.62

French oil company loan

By John Wicks

ZURICH, July

THE FRENCH oil company Francaise des Petroles, is to a loan of Sw.Frs.80m. on Swiss capital market from 7 to July 12.

The 12-year loan will handled by a Swiss banking sortium led by Credit S The French company is off a 5½ cent coupon and a par price. The bonds will be in Zurich, Basle, Geneva, and Lausanne.

Donohue St. F. iss

DONOHUE ST. Felicien Inc it will float a $135m. bond of which $100m. will be iss U.S. currency and pay 1 cent., while the other $35m be floated in Canada and $11.18 per cent., reports from Quebec.

The company said the will be used to finance a pulp plant and forest pr factory in St. Felicien, Qu

It had already concluded term supply contracts which 60 per cent. of the will be sent to the U.S., cent. to Europe and nin cent. to domestic clients.

Indices

NEW YORK — DOW JONES

	July 1	June 30	June 29	June 28	June 27	June 24	1977 High	1977 Low	Since compil'tion High	Since compil'tion Low
Industrial	912.65	916.30	915.32	918.67	924.10	929.70	[illegible]	[illegible]	1051.70 (11/1/73)	41.22 (2/7/32)
Home Bonds	92.49	92.55	92.48	92.55	92.41	92.33	[illegible]	[illegible]	[illegible]	[illegible]
Transport	237.82	238.80	235.61	236.92	238.12	238.41	[illegible]	[illegible]	279.88	13.23
Utilities	115.96	114.89	114.74	115.05	115.77	116.73	116.77 (27/6)	[illegible]	163.32	10.58
Trading vol. 000's	19,180	19,410	19,000	22,970	18,970	26,460				

	June 17	June 10	June 7	Year ago (approx.)
Ind. div. yield %	4.79	4.83	4.81	3.72

STANDARD AND POORS

	June 29	June 22	June 15	Year ago (approx.)
Ind. div. yield %	4.56	4.37	4.39	3.41
Ind. P/E Ratio	13.20	10.22	10.17	12.66
Long Govt. Bond yield	7.55	7.57	7.56	6.69

OVERSEAS SHARE INFORMATION

GERMANY

July 1	Prices Dm.	+ or —	Div. %	Yld. %
A.E.G.	80	+1	—	—
Allianz Versich.	412	+2	18	2.2
B.M.W.	248.5	+5	20	3.9
BASF	157.6xd	+0.8	17	3.4
Bayer	139.5xd	+2.7	13	5.7
Bayer Hypo	260	+1	20	3.8
Bayer Vereinsbk.	262	+0.5	20	3.8

JOHANNESBURG

MINES

July 1	Rand	+ or —
Anglo American Corpn.	3.90	-0.05
Charter Consolidated	2.60	
East Driefontein	6.30	-0.10
Elsburg	1.13	-0.07
Harmony	†4.90	-0.05
Kinross	†3.75	-0.15
Kloof	†5.85	-0.15
Rustenburg Platinum	1.60	
St. Helena	13.40	-0.60
Southvaal	4.70	-0.15

AUSTRALIA

July 1	Aust. $	+ or —
ACMIL (25 cents)	†0.76	......
Acrow Australia	†0.56	......
Allied Mntg-Trdg. Indus $1	†1.82	......
Ampol Exploration	†1.07	+0.05
Ampol Petroleum	†0.57	-0.05
Assoc. Minerals	†1.37	+0.02
Assoc. Pulp Paper $1	†3.95	+0.61

PARIS

July 1	Price Frs.	+ or —
Rente 4½	669.2	+1
Afrique Occid't'le	338.5xd	+2.5
Air Liquide	336.2	+7.2
Aquitaine	303.9	+4.9
BIC	705	+3
Bouygues	337.9xd	+6.9
B.S.N. Gervais	489	+20
Carrefour	1,184	+100
C.G.E.	251.2xd	+2.8

French oil company

By John Wicks

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

British Life Office Ltd.♥ (a)

Reliance Hse., Tunbridge Wells, Kt. 0892 22271

British Life	44.7	47.3	-0.3	5.71
Balanced*	40.8	43.6		5.63
Dividend*	36.0	38.5		9.73

Prices June 28. Next dealing July 6.

Index Limited 01-351 3466. Three months copper 740-749

FINANCIAL TIMES STOCK INDICES

	July 1	June 30	June 29	June 28	June 27	June 24	A Year ago
Government Secs.	67.78	67.89	68.19	68.31	68.39	67.98	63.06
Fixed Interest	68.31	68.31	68.43	68.32	68.15	68.01	62.47
Industrial Ordinary	451.2	456.5	456.2	458.6	459.5	449.6	389.5
Gold Mines	110.8	111.4	108.3	111.4	110.9	110.9	148.1
Ord. Div. Yield	5.19	5.15	5.15	5.13	5.13	5.23	5.64
Earnings Y'ld % (full) (*)	15.68	15.55	15.56	15.50	15.49	15.79	16.94
P/E Ratio (net) (*)	9.29	9.37	[illegible]	9.40	9.41	9.25	9.30
Dealings marked	4,622	4,718	5,002	5,067	4,827	4,435	4,539
Equity turnover £m.	—	63.51	55.82	128.90	70.14	64.68	51.45
Equity bargains total	—	13,792	13,958	22,112	14,623	14,275	10,398

10 a.m. 455.8. 11 a.m. 452.9. Noon 452.3. 1 p.m. 451.8. 2 p.m. 452.0. 3 p.m. 451.7.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. Nil=9.22.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	71.48 (18/5)	60.46 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	71.19 (18/6)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	477.4 (18/6)	357.6 (12/1)	549.2 (14/5/72)	49.4 (26/6/40)
Gold Mines	137.4 (7/3)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	July 1	June 30
—Daily		
Gilt-Edged	121.7	150.9
Industrials	149.5	147.5
Speculative	24.7	32.5
Totals	102.9	107.4
5-day Average		
Gilt-Edged	133.8	136.0
Industrials	158.3	158.1
Speculative	35.1	37.1
Totals	114.4	114.0

FT—ACTUARIES INDICES

	July 1	June 30	June 29	June 28	June 27	June 24	A Year ago
Industrial Group	181.50	182.95	182.55	183.16	183.11	178.67	152.99
Shares	208.17	209.80	209.25	210.41	209.84	205.12	170.28
Yield p.c.	5.50	5.45	5.46	5.45	5.44	5.56	5.82
Ratio (net)	9.04	9.11	9.11	9.15	9.15	8.93	10.25
Shares	189.32	190.69	190.23	191.12	190.71	186.72	159.11

HONG KONG

Hong Kong§	June 24	June 17
Loan 1948	—	87.00s
Amalgamated Rubber	1.485	1.48
Light & Power	21.20	21.60
Hotels	57.50	36.50
Metropolitan Properties	—	†1.35
Harbour Tunnel	†11.60	11.70xd

SINGAPORE

July 1	$	July 1	$
Industrials			
Bovis	0.60	Straits Trad'g	†5.45
Boustead Co.	1.58	Tamenggong	†1.27
Boustead Bhd.	†1.72	Times Pub.	

Scottish Widows' Group

PO Box 902, Edinburgh, EH16 5BU. 031-655 6000

Inv.Ply.Series 1	92.1	92.1	+2.2	—
Inv.Ply.Series 2	87.3	91.9	+2.2	—
Ex.Ut.Tr. June 29	120.4	125.6	+1.4	—
Mgd.Pens. June 29	216.5	222.3	+4.3	—

Windsor Life Assur. Co. Ltd.

1 High Street, Windsor. Windsor 68144

Life Inv. Plans	62.2	65.5	.....	—
FutureAssd.Gth(a)		12.0	.....	—
FutureAssd.Gth(b)		45.0	.....	—
Ret. Assd. Pens.		£23.09	.....	—
Flex. Inv. Growth	98.3	103.5	.....	—

NOTES

Prices do not include $ premium, except where indicated ‡, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. # Suspended. ♦ Yield before Jersey tax.

CORAL INDEX: Close 449-454

INSURANCE BASE RATES

† Property Growth 9¼%

Cannon Assurance 5¼%

† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
28M	28S	Treasury 11½pc '77‡‡	100⅜	17.2	11.41	7.61
15M	15N	Treasury 3pc '77‡‡	98	12.4	3.04	6.53
20J	20D	Transport 4pc '72-77	98¾	25.11	4.05	6.76
15S	15M	Treasury 9pc 1978‡‡	100⅛	7.2	8.99	8.74
14J	14Jn	Treasury 10½pc '78‡‡	101⅝xd	8.1	10.33	8.62
28M	[illegible]	[illegible] 5pc '76-78‡‡	97⅛	17.2	5.15	7.45
9S	[illegible]	[illegible] 11½pc '79‡‡	102	31.1	11.24	9.52
17M	[illegible]	[illegible] 3pc '79‡‡	92⅞	8.2	3.23	6.51
28M	[illegible]	[illegible] 4½pc '74-79	95⅞	17.2	4.53	7.25
1M	[illegible]	[illegible] 10½pc '79‡‡	101	25.3	10.40	9.96
15M	[illegible]	[illegible] 3½pc '76-79	92⅞	12.4	3.77	6.79
3S	[illegible]	[illegible] 9pc 1980‡‡	98½	25.1	9.14	9.63
14N	[illegible]	[illegible] 9½pc '80‡‡	98⅞	7.4	9.61	9.94
15D	[illegible]	[illegible] 3½pc '77-80	92⅜	9.5	3.79	6.35
15D	[illegible]	[illegible] 5¼pc '78-80‡‡	93⅜	9.5	5.62	7.69
25M	[illegible]	[illegible] 13pc 1980‡‡	106	18.4	12.23	10.70
15J	[illegible]	Treasury 11½pc 1981‡‡	102¾xd	8.6	11.19	10.54
15A	[illegible]	[illegible] 3½pc 1979-81	88⅝	10.1	3.96	7.20
1O	[illegible]	[illegible] 1981‡‡	98¼	23.2	9.92	10.30
17M	[illegible]	[illegible] '81	98	—	—	—
23M	[illegible]	Exch. 12¼pc 1981‡‡	105	18.4	11.96	10.80
15J	[illegible]	[illegible] 8¼pc '80-82‡‡	95¼xd	8.6	8.92	9.82
15A	[illegible]	[illegible] 3pc '82‡‡	84⅞	10.1	3.53	6.67
16S	[illegible]	[illegible] 14pc '82‡‡	111	7.2	12.55	10.77
Five to Fifteen Years						
22M	[illegible]	[illegible] '82 £40pd.	38¼	—	9.78	10.65
17S	[illegible]	[illegible] 12pc 1983‡‡	107	8.2	11.60	11.15
15J	[illegible]	[illegible] 5½pc '82-84‡‡	81⅝xd	8.6	6.72	9.28
10J	[illegible]	[illegible] 8¼pc '84-86‡‡	88½xd	6.12	9.59	10.46
1N	[illegible]	[illegible] 6½pc '85-87‡‡	76¼	25.3	8.60	10.54
28J	[illegible]	[illegible] 7¾pc '85-88‡‡	79½xd	20.6	9.74	11.07
1J	[illegible]	[illegible] 3pc '78-88	57	25.11	5.26	9.35
15A	[illegible]	[illegible] 5pc '86-89	61⅛	9.3	8.33	11.09
15J	15J	[illegible] 13pc 1990‡‡	100xd	8.6	12.95	12.93
15D	[illegible]	[illegible] '87-90‡‡	75⅞	9.5	10.83	12.14
10J	10J	[illegible] '91 £15pd	13		12.79	13.05
5O	5	[illegible] 5¾pc '87-91‡‡	60⅞	1.3	9.67	11.76
22J	22J	[illegible] 12¾pc '92‡‡	96⅝xd	16.12	13.14	13.22
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 41¼% (based on $US1.7280 per £)

Conversion factor 0.7048 (0.7052)

CANADIANS

[illegible]

S.E. List Premium 41¼% (based on $1.8318 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Nov. May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov. May	Falcon Rh.50c	110	28.3	†Q35c	1.7	31.1
May	Rhod'n Corp. 16⅔p.	12	23.1	0.56	4.3	7.2
—	Roan Cons. K4	110	1274	—	—	—
Dec. July	Tanganyika 50p	135xd	27.6	Q11.0	ϕ	8.2
Jan. July	Do. Pref. 80p	70	13.12	Q9%	ϕ	10.3
Nov. May	Wankie Col. Rh.1	32	12.4	Q7½c	1.5	22.9
—	Zam.Cpr.SBD0.24	17	1174	—	—	—

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Acmex 25c	13	—	—	—	—
Nov. Apr.	Bougainville 50 Toea	85	15.3	Q18c	1.5	7.4
—	BH South 50c	115	974	—	—	—
Oct. May	Conzinc Riotinto 50c	300	—	Q9c	2.3	1.8
—	G.M. Kalgoorlie $1	30	6/67	—	—	—
September	Hampton Areas 5p	87	26.7	1.3	5.0	2.3
—	Metals Ex. 50c	19	—	—	—	—
Oct. Apr.	M.I.M. Hldgs. 50c	196	31.1	†Q4½c	1.8	1.4
—	[illegible] Lyell 25c	26	—	—	—	—
—	[illegible] 10c	1½	—	—	—	—
June Nov.	[illegible] B. Hill 50c	104	9.5	†Q4½c	b2.6	5.3
—	[illegible]	[illegible]	—	—	—	—
June Nov.	Oakbridge $A1	116	26.4	†Q9c	1.5	4.9
—	Pacific Copper	28	—	—	—	—
—	Pancont'l 25c	£11¾	—	—	—	—
—	Paringa M&Ex 5p	11½	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c	545	28.3	Q15c	2.7	1.7
—	Poseidon 20c	75#	—	—	—	—
—	Vulcan Min. 50c	9	—	—	—	—
Oct. May	Westn. Mining 50c	144	14.3	†Q5c	1.3	2.1
—	Whim Creek 20c	50	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Nov. Apr.	Amal. Nigeria	28	2.76	0.93	8.9	7.2
Apr. Oct.	Ayer Hitam $M1	350	14.3	†23.0	1.4	10.1
Apr. Oct.	Beralt Tin	40	14.3	24.0	2.3	15.4
Jan. July	Berjuntai $M25	485#	14.3	Q60c	ϕ	—
Feb. Oct.	Geevor	305	17.1	t17.87	—	9.0
—	Gold & Base 12½p	10	1074	—	—	—
July Dec.	Gopeng Cons.	195	25.4	13.0	1.9	10.3
—	Hongkong	95	11/67	—	—	—
Jun. Nov.	Idris 10p	63	9.5	9.0	1.6	22.0
—	Jantar 12½p	8	4/67	—	—	—
—	Kamunting $M0.50	41	14.3	[illegible]	1.2	9.4
Oct. Jan.	Killinghall	420	13.6	[illegible]	ϕ	11.9
Dec. June	Malay Dredging $M1	280	28.3	[illegible]	1.1	8.5
June Dec.	♦Pahang	27#	9.75	†Q2.5	0.5	9.2
July Jan.	Pengkalen 10p	55	25.4	5.5	1.3	15.4
Jun. Nov.	Petaling $M1	148	13.6	[illegible]	10.9	2.1
Jan. July	Saint Piran	55	4.1	1.81	ϕ	5.2
Apr. Nov.	South Kinta (10p)	88	13.6	†Q19.46	0.6	22.1
June Jan.	Sthn. Malayan	190	13.6	†Q32.82	1.1	17.3
July Dec.	Sungei Besi $M1	63	6/75	—	—	—
—	Supreme Corp. $M1	40	9/74	20.10	—	6.2
Mar. Aug.	Tanjong 15p	45	23.5	6.25	0.7	21.4
Sept. Mar.	Tongkah Hrbr. $M1	60	23.5	[illegible]	0.3	7.0
Apr. Oct.	Tronoh $M1	137	14.3	†4.29	2.0	4.8

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
June Dec.	Messina R0.50	140	23.5	Q45c	2.8	21.5

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
July	Burma Mines 17½p	9	575	—	—	—
—	Charterhall 5p	23½	—	—	—	—
—	Colby Mines $C1	94	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	385xd	27.6	†Q140c	1.4	‡
July	Northgate C$1	430	375	—	—	—
Jan. June	R.T.Z.	205	9.5	8.0	1.1	6.0
—	[illegible] Inds. C$1	45	—	—	—	—
—	[illegible] Explm. $1	£16¾	—	—	—	—
Nov. July	[illegible] Minerals 10p	45	[illegible]	1.19	[illegible]	4.3
Oct.	Yukon Cons. C$1	128	15.9	Q6½c	3.6	1.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ♦ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 11

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv. 20p	19	......	Sayers 12½p	32	......
Ash Spinning	40	......	Sheffield Brick	90	......
Bertam	17	......	Sheff. Refrshmt.	165	......
Bdg'wtr. Est. 50p	218	......	Shiloh Sp'nn	20	......
Clover Croft	21	......	Sindall (Wm.)	65	......
Craig & Rose £1	360	......	**IRISH**		
Dyson (R.A.)	22	......			
Ellis & McHdy	63	......	Conv. 9% '80/82	£93½	......
Evans F'r'k.10p	29	......	Alliance Gas	58	......
Evered	11	......	Arnott	300xd	......
Fife Forge	44	−4	Carroll (P.J.)	88xd	......
Finlay Pkg. 5p	13	......	Clondalkin	58	+1
Graig Ship. £1	350	......	Concrete Prods.	78	......
Hallam Sleigh 10p	10½	+1	Heiton (Hldgs.)	31	......
Higsons Brew	92	......	Ind. News	78	+1
I.O.M. Stm. £1	160	......	Ins. Corp.	120	......
Holt (Jos.) 25p	222	......	Irish Distillers	68xd	......
Kleen-e-Ze	50xd	......	Irish Ropes	140	−5
N'thn. Goldsmith	29xd	......	Jacob	44	......
Pearce (C. H.)	103	......	Sunbeam	15	......
Peel Mills	13	......	T.M.G.	85	......
Robb Caledon 5p	98	......	Unidare	53	......

OPTIONS

3-month Call rates

Stock	Rate	Stock	Rate	Stock	Rate
Industrials		Hawker Sidd.	60		
A. Brew	6½	House of Fraser	12	Tube Invest.	30
A.P. Cement	18	I.C.I.	23	Unilever	40
B.S.R.	12	"Imps"	7	Utd. Drapery	7½
Babcock	10	I.C.L.	20	Vickers	15
Barclays Bank	25	Inveresk	7	Woolworths	6
Berry Wiggins	5	Ladbroke	11		
Beecham	38	Legal & Gen.	12	**Property**	
Boots Drug	15	Lex Service	6	Brit. Land	5
Bowaters	16	Lloyds Bank	22	Cap. Counties	3½
B.A.T.	21	"Lots"	5	E.P.	5
British Oxygen	6	London Brick	5	Intereuropean	5
Brown (J.)	20	Lonrho	8	Land Secs.	18
Burton 'A'	6	Lucas Inds.	25	MEPC	10
Cadburys	5	Lyons (J.)	9	Peachey	6
Courtaulds	10	"Mams"	7	Samuel Props.	10
Debenhams	8	Mrks. & Spncr	10	Town & City	2
Distillers	13	Midland Bank	25		
Dunlop	8½	Nat. West. Bank	22	**Oils**	
Eagle Star	11	Do. Warrants	8	Brit. Petroleum	60
E.M.I.	18	P & O Dfd.	13	Burmah Oil	6
Gen. Accident	17	Plessey	7	Shell	28
Gen. Electric	16	R.H.M.	5	Ultramar	15
Glaxo	40	Rank Org. 'A'	18		
Grand Met.	7	Reed Intl.	18	**Mines**	
G.U.S. 'A'	18	Reyrolle	20		
Guardian	18	Spillers	4	Charter Cons.	12
G.K.N.	25	Tesco	4	Charterhall Fin.	3½
		Thorn 'A'	22	Cons. Gold	12
		Trust Houses	15	Rio T. Zinc	26

FINANCIAL TIMES
Monday July 4 1977

Ecevit loses confidence vote by 12

BY METIN MUNIR ANKARA, July 3.

TURKEY ENTERED a oew political crisis to-day when Mr. Buleot Ecevit, Prime Mioister-designate, failed to survive a crucial confidence vote in the National Assembly.

He immediately tendered bis resignation to President Koroturk, and the country now seems in for a prolonged period of political bargaining, perbaps accompanied by violence. There is little prospect of anything but a weak coalition government emerging at the end.

Mr. Ecevit's Republican People's Party (RPP) of Social Democrats was defeated by 229 votes to 217 in the 450-member National Assembly. He had failed, in a month-long campaign, to persuade sufficient opposition deputies to abstain in order to allow bim to lead a minority government.

His party won 214 seats in the General Election on June 5. The conservative Justice Party (JP), led by Mr. Suleyman Demirel, the former Prime Mioister, woo 189. The votes of two other Right-wing parties combined with those of the JP to bring Mr. Ecevit down.

Mr. Demirel is now expected to be asked to form a Government of his own. The task will not be easy. The key lies with the Islamic revivalist National Salvation Party (NSP) of Professor Necmettin Erbakan.

The NSP has beeo in coalition with both Mr. Ecevit and Mr. Demirel in the past. It has proved extremely difficult to work with and has at times almost paralysed government activity.

Mr. Erbakan is smarting from a general election which saw bis party's seats halved to 24 and is likely to demand a high price for agreeing to enter any coalition now.

It is more probable that be would be tempted by Mr. Demirel than by Mr. Ecevit. A Demirel-led coalition would also hava to include the far-right Nationalist Action Party of Colonel Alparslan Turkes, which won 16 seats in the election—a considerable gain.

The executive Board of the NSP will meet to-morrow to review its position.

The renewed political crisis comes at a time when the economic situation is already serious. There are problems not only of inflation and unemployment but also of a severe shortage of foreign exchange.

Outstanding international questions now seem likely to go unsolved. They include Cyprus, the dispute with Greece over the continental shelf, the U.S. arms embargo, and the poor state of Turkey's relations with the European Community.

The election campaign was marked by severe outbreaks of violence, but although the atmosphere in Ankara to-day was tense there were few incidents.

FT Monthly Survey of Business Opinion

Orders and prospects show signs of recovery

INDUSTRY IS becoming increasingly concerned about the rate of increase in wages after the end of the phase two pay policy this month but is still generally confident about a recovery both in investment and in profitability.

This emerges from the latest Financial Times survey of business opinion which this month covers non-electrical engineering, chemical and oil companies, and the shipping and transport sector.

The interviews, mainly undertaken in the first fortnight of June, indicate a slow but definite recovery both in orders in recent months and in the expected growth of output during the next 12 months.

Export prospects generally remain strong, though more companies than a few months ago, are mentioning export orders as a factor constraining production and a few are also referring to worries about price competitiveness.

The main uncertainty at present, however, is about wages. While all three sectors covered this month were rather more optimistic about prospects for the U.K. economy than when last asked in February, some companies qualified their answer by referring to the pay talks.

More than a third of the companies questioned about expected wage increases in the next 12 months felt unable to answer because of the current uncertainty. But among those who replied, the median expected increase in wages over the next year has edged up to 11.6 per cent., compared with less than 10 per cent. three months ago.

Industry is becoming more optimistic about an improvement in profit margins during the next 12 months and there has been a steady rise in the number of companies expecting an increase in the volume of capital expenditure during the period.

The projections of steady growth have not, however, affected the labour market where more companies are expecting a fall in their labour force during the next year than an increase. But the indicators here are confused with both the vacancy and labour turnover figures pointing towards an increase in activity.

Details Page 8

EARNINGS ON CAPITAL

4 monthly moving total — June 1977

Those expecting earnings during current year to:	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chems. & Oils %	Shipping & Transport %
Improve	61	57	56	54	61	68	21
Remain the same	23	31	29	31	35	—	29
Contract	11	7	11	9	4	32	50
No comment	5	5	4	6	—	—	—

Grunwick issue for High Court to-day

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

THE GRUNWICK dispute moves into the High Court to-day when a judicial examination will be made oot of the merits of the dispute hut of the laws governiog the pursuit of union recognitioo claims.

The court will be deciding whether the Advisory, Cooclliation and Arbitratioo Service—the lynch-pio of voluntary dispute-solving — obeyed statutory procedure lo reaching its recommendation that the clerical workers' nnlon APEX should he recognised hy Gruowick.

To-morrow a court of inquiry—a ooo-legal body and in effect the ultimate weapoo of mediation—begins hearing the facts of the dispute io the hope of produciog recommeodations that both sides will follow. A court of inquiry baa not failed in the past.

This unusual combination is certain to inteosify tbe debate that has re-emerged in Parliament and amoog employers, unions and their advisers about the proper role of thc law in industrial relations.

A High Court and a court of inquiry aymbolise quite contradictory approaches to dispute-solving.

The contrast is not just theoretical. Mr. George Ward, Grunwick's proprietor. and bis advisers appear to be looking to the law—the High Court and perhaps ultimately the House of Lords—for a aolution.

The union, tbe Labour Government and tha TUC argue that the only abiding settlement can come via the non-legal court of inquiry.

Now the "hawks" in the Conservative Party arc kean to reintroduce limits on unions that disappeared with the 1971 Iodustrial Relations Act, while the Tory "doves" and the CBI are content to amend Labour's repealing lagislatioo oo the fringes.

In the trades unions, meanwhile, there is a feeline that some of the legislation embodied in tho amending 1974 Trade Union and Labour Relations Act was too ambitious.

By spelling out too much what the procedures should be—especially of the indepeodent ACAS—the draftsmeo, it is argued, made it inevitable that sooner or later industrial disputes would end up lo the High Court.

The pitfalls of the law—as the TUC would see them—are illustrated hy aoother paradox thrown np ln the Grunwick case.

This is that the law oo unfair dismissals operated by the Industrial tribunals has beeo shown to be inconsistent at least in spirit, with the law governing the pursuit of recognitioo claims.

Because industrial tribunals are inteotionally confined to looking after individnals' interests—oot collective union interests—the law makes it fair to dismiss workers on strike, provided all are dismissed aod provided all are taken back if one is taken back.

Recognition

Thus the industrial tribunal to which 59 Gruowick workers appealed ruled that it could not entertaio claims of unfair dismissal. Not only can an employer not himsalf take a recognition dispute to ACAS, be can also fairly sack all his workers who are oo strike for union recognition, whether or not they have tried conciliation through ACAS.

Meanwhile at Grunwick's North London factories the chancea of the temperature falling this week do oot look good. About 120 postal workers blacking Grunwick's mail are under threat of suspension from to-day and the London district council of the Union of Post Office Workers will meet to consider whether to strike all over London or take more limited action if suspensioos are made.

Mass picketing outside the Grunwick gates in Willesden is to continue, bnt Mr. Jack Dromey, the strike leader said yesterday hc was confident that the peace can be kept. Official pickets will make it clear that the bus ferrying Grunwick workers in must not be obstructed.

Jack Jones presses for minimum wage target

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

PROBABLY the only national wage figure to be fixed when Phase Two of the incomes policy expires on *July 31* will be a oew TUC minimum wage target. The oew figure could he above £40 a week.

This was made clear last oight by Mr. Jack Jeoes, geoeral secretary of the Transport and Geoeral Workers Unioo, oo the eve of the TGWU conference which will effectively decide tho outcome of TUC discussions with the Government.

Mr. Jones will ask the 1,000 conference delegates to temper their calls for a returo to free collective bargaining by agreeing that settlements under it must run their full 12 months. This will carry many major groups of workers well into next year.

Once settlements expire, there should be free but responsible, bargaining around a list of priorities decided by the TUC and not negotiated with tha Government, Mr. Jones said.

Asked whether there could be any negotiations around a central figure, Mr. Jones said: "We cannot talk that way, or about ceilings. But we can take accouot of the ecooomy of the country, and it will be up to the Governmeot to provide the stable background to voluntary collective bargaining."

The last TUC minimum wage target being used three years ago, was £30 a week. Since theo most low-paid workers have received earnings increases of, first, £6 a week supplemeot and then £2.50.

Mr. Jones said it was important to hriog the figure up to ensure that workers received more by working than hy being unemployed.

Other priorities for negotiators to he welded inlo a composite pay resolutioo for dehate on Wednesday are consolidatioo into basic rates of supplements (fully, or in part, depending on circumstances), a five *hour cut* ln the 40-hour week, aradication of anomalias or serious erosion of differentials, and removal of restraint from July 31 on self-financing incentive schemes and improvements to occupational peosions.

Provided the TGWU delegates, who are meeting ln the Isle of Mao, endorse this ioterpretatioo of a return to free collective bargainiog, the mainframe of TUC-Goveroment talks will have beeo erected.

Alan Pike writes from Tynemouth: The National Union of Mineworkers' coofereoce opens io Tynemouth to-day with the final form of the pay motion which will he dehated in to-morrow's wages' debate still to be decided.

A composite motion produced by the standing orders committee at the week-end would call on the cooference to seek substantial increases by updatiog a 1975 confereoce motion which set a target of £100 per week for the highest paid miners.

Attention is at present focused on a motlon from Nottinghamshire, a traditionally moderate area, which proposes that the uoloo "seeks to achieve £135 per week for the highest grades" with proportionate increases for others. But the militant Yorkshire area wants to strengthen this.

Continued from Page 1

Accountants

Tho Cross Committee has completed taking evidence and is expected to submit its report to the accountancy bodies and to Mr. Edmund Dell, the Secretary for Trade, in a few months.

Among the Department of Trade inspectors' reports likely to be the subject of public statements by the institute are those on John Willment Automobiles; Lonrho; Bernard Russell; Vehicle and General; London and County Securities Group; and Roadships.

A joint investigation into criticism of chartered accountants in the London and County affair by the English and Scottish chartered accountants is near completion. Plans to issue a public statement by either institute might be frustrated by the recent decision of the London and County liquidator to issue a writ against the auditors claiming damages of £8m.

Either party to the action could seek an injunction preventing publication of a statement until after the court case.

It is believed that in some cases the institute's planned statements will not always echo the criticisms of the Department of Trade inspectors. It might even end up criticising the inspectors.

Continued from Page 1

Uranium

"I make the point now, as I made it to them: if Europeans want stability of access to supplies of energy, to supplies of uranium, it is reasonable enough for us to seek to have that principle of stability applied to access to their markets.

"Stability is a principle that cannot just apply to one part of trade between nations. It ought to apply to supplies of raw materials and to access to markets, and I believe that Europeans are coming to understand that."

Liberals encouraged by Premier's speech

BY RUPERT CORNWELL, LOBBY STAFF

LIBERAL MPs have given a clear if qualified welcome to the major week-end speech of the Prime Minister, in which he set out his faith in the future of his embattled Government and of the country in the 1980s.

The encouraging response can only enhance the prospect of Mr. Callaghan securing an extension of his lifeline Parliamentary pact with the Liberals—despite the jolts facing partners in the coming week.

For the Liberals, the threat lies in the result of the by-election at Saffron Walden, where the party came second in 1974. A poor showing there will only reinforce the doubts of some of their MPs in the wisdom of continuing the alliance.

Mr. Callaghan's trial will come in the second reading debate this week on the controversial bill for direct elections to the European Parliament, for which he has been forced to concede a free vote to prevent an irreparable split in Labour ranks.

Helped by support from the Conservative opposition, this first set piece vote on direct elections will be comfortably carried, although perhaps six anti-marketeers in the Cabinet and 100 or so like-minded backbenchers will either oppose it or abstain.

But Mr. Callaghan will be out to gain as resounding a majority as he can, to display before the Labour conference this autumn, at which the whole divisive EEC issue will once more figure prominently.

If he succeeds in blunting criticism there, his task will be that much easier in securing the all-important guillotine motion curtailing debate on the measure when it is re-introduced at Westminster in the next session.

In the meantime only a start on committee proceedings on the Bill will be possible—and with no vote on the second key issue of the electoral method to be used — before the Commons recesses at the end of this month.

Ministers yesterday were again exuding confidence that the set of 10 conditions laid down by Mr. David Steel, the Liberal leader, for a renewal of the agreement could be satisfied despite the irritation the package has aroused among Left-wingers.

Liberals pointed out last night that for all their positive tone, Mr. Callaghan's remarks—which his camp is hailing as a weighty contribution to his party's strategic thinking—did not cover specific answers.

The mood in the party is that the Liberals must secure, and be seen to secure measures of general interest to the country, beyond the somewhat abstract fields of devolution and direct elections. A reverse at Saffron Walden would make this feeling stronger still.

For this reason they are laying great emphasis on cutting direct taxation, and helping the self-employed. But one reported move, to press for an early resurrection of wealth tax proposals, is discounted—despite its appeal as a sop for the disgruntled Labour Left. The argument is that early action, however desirable, would place an impossible burden on the over-stretched tax administration.

Meanwhile the Lib-Lab pact is likely to be in good working order to the Commons to-night to fend off a censure motion from the Scottish Nationalists, seeking a cut in the Prime Minister's salary.

The Government is expected to win fairly comfortably, even though the Tories are planning a full turnout behind the SNP and the Welsh Nationalists.

Weather

U.K. TO-DAY

DRY, cloudy in N. and W. Sunny, some showers in S. and S.E.

London, S.E. and S.W. and Cent. S. England, Channel I.
Sunny periods, scattered thundery showers. Max. 28C. (82F.).

Midlands, E. Cent. N., N.E. England, Borders, Edinburgh, Dundee, Aberdeen areas.
Dry sunny spells. Max. 26C. (79F.).

Wales, N.W. England.
Dry, rather cloudy, some brighter or sunny spells. Max. 20C. (68F.).

Lakes, I. of Man, S.W. Scotland, N. Ireland.
Dry, cloudy, some bright spells. Max. 22C. (72F.).

Highlands, Moray Firth Area, N.E. Scotland.
Dry, rather cloudy. Max. 17C. (63F.).

Argyll, N.E. Scotland, Orkney and Shetland.
Cloudy, occasional drizzle. Max. 15C. (59F.).

Outlook: Showers, sunny spells, but outbreaks of thundery rain in South.

HOLIDAY RESORTS

BUSINESS CENTRES

S—Sunny. F—Fair. C—Cloudy.

THE LEX COLUMN

Calmer seas ahead for Lasmo

London and Scottish Marine Oil could not have bettered the timing of its £13.2m. offer for salo next Thursday, coming closely oo the heels of the massively over-subscribed Sotheby issue and in the afterglow of the BP stag party. The offer seems likely to be successful, although it is worth empbasising that this kind of flotation needs a favourable market background. For Lasmo is still a high risk situation, even though the Ninian field—which is its only significant interest—is now due to start producing within eight months or so.

The prospectus estimates that a loss of up to £8.1m. will be incurred this year, while further losses in 1978 will probably result—for a period of some months—in a deficiency of shareholders' funds, despite the £9.5m. net raised for the company by this issue.

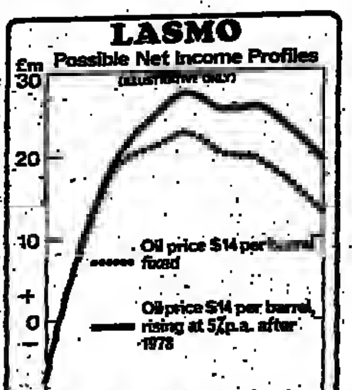
Dividends will not be paid before 1980, when the oil profits are scheduled to flow in earnest, and there is no indication of how much will ha distributed even then, since the company is undertaking a continuing exploration programme.

In many ways it is a triumph that Lasmo has got this far. It was set np as a vehicle for fioancing oil exploration and development through the City's institutional / stock market framework. It is perhaps the most successful of a number of coosortia set up in the late 1960s and early 1970s. Those lostitutions in at the start have multiplled their initial investment abont six-fold on the basis of the offer price of 155p. But there have beeo no dividends: hard meo from Cazeoove have appeared from time to time demandiog more capltal, and there have beeo some tricky moments.

It is vital, after all, for participaots in a field like Ninian (of which Lasmo has approximately 9 per cent.) to keep up to date with project fioaoce. If one party is bailed out by the others, there is a harsh formula for reducing its share of the field. Lasmo resorted to the ingenious but highly expensive loan stock and oil production stock lssues ln early 1976 to enable lt to keep in the race.

Bank credit ls oormally the most economical way to finance oil field developmeot, but with its meagre equity base, Lasmo has only latterly beeo able to call on the hanks, raising a modest £30m. last month. And the complications of the various trust deeds and bank agreements led to a last-minute hitch on Friday night which threatened the current offer.

The issue itself has some highly convoluted aspects: it involves tha relnctant sale hy some of the shareholders of part of their interests because the Stock Exchange has insisted on a minimum number of shares in



the offer. It might have been hetter to bave arranged an introduction—there are more than 200 shareholders already—followed hy a rights issue. Yet for all the snags it has faced, Lasmo has secured all the finance it requires for Ninian and in achieving a quotation as a North Sea specialist, has proved that there is a place in the Stock Market for the indepeodent oil exploration consortium.

What are the shares worth? The indicated temporary shortfall of shareholders' funds is, of course, misleading because the stake in Ninian is worth much more than cost. Brokers Wood Mackenzie estimate the present valoe of Lasmo's oil earnings, on conservative assumption, to be just over 200p a share. That gives a discount of 23 per ceot at the offer price, only slightly larger than the comparable discount for Thomson Organisation. And the offer price of the shares is very much in line with recent unofficial bargains.

But the prospectus indicates a peak Ninian output of over 400,000 barrels a day, a quarter more than assumed both oy Wood Mackenzie and by the previous Lasmo loan stock and OPS prospectus some 18 months' ago. The company's institutional backing (some shareholders may wish to increase their stake) and its appeal as the "purist" way into the North Sea should see Lasmo launched safely.

B. & C. Shipping

British and Common[wealth] Shipping is now within months of a major change corporate structure — an shares are standing at a time high relative to the market. From September traditional interests in the African liner trades exchanged for an shareholding in Overseas tainers Ltd., and its accounts show how the bas been preparing itself a number of years for the era.

Most obviously, its investment in ships has reduced over a period years or so to under a gross assets. Its new have not been uniformly cessful: for instance, the accouots include a provision over £1m. against losses on holidays and interests. But there has one major success story transport and aviation where profits have more doubled to £8¼m. in the three years.

However the aircraft appears to be financing out of depreciation, and recently the emphasis switched towards in financial assets. now has commercial merchant banking interests has been increasing its holdings. It also taking a position in ties: last year's profits a contribution from the disposal of a £1.1m. inves in copper bars, made "at a when sterling appeared vulnerable."

Even so B and C is now near exhausting the full of its substantial positive flow in recent years, and remains for significant diversification. The *balance sheet contains* portfolio investments and net bank balances compared with just fixed loans. Shareholders are put at £102m. (315 share),—a very conser figure, since it ignores a surplus on investments with a "significant" but tified surplus on £31m. hold properties which at cost. There is also deferred tax.

So the question is B and C is set to become of glorified investment whether it has more management ambitions while the yield at 303p is cent.

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